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ABSTRACT

Many aspects of employer-sponsored child care programs--including key issues, costs and benefits, programmatic options, and implementation strategies--are discussed in these conference proceedings. Public policy issues, legal aspects of child care as an employee benefit, tax incentives for corporate child care, and funding sources for child care are discussed. A variety of program options, such as center-based care, 24-hour child care, care for the sick child, information and referral services, vendor/voucher programs, and family day care, are described. An overview of existing employer-supported child care programs is presented and four current company programs are described. Also reported are suggestions for a child care-related research committee, results of one company's needs assessment study, and data from a survey of employers in Santa Clara County, California, regarding child care employee benefits. Appendices provide a resource bibliography on employer-supported child care, sample conference displays, and a list of conference presenters and attendees. (Author/JA)

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EMPLOYER SUPPORTED CHILD CARE

An Idea Whose Time Has Come

A CONFERENCE ON CHILD CARE
AS AN EMPLOYEE BENEFIT . . .

- COSTS AND BENEFITS
- COMPANY OPTIONS
- SUCCESSFUL PROGRAMS
- CURRENT ISSUES

PS 012146

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Introduction

CONFERENCE BACKGROUND AND REPORT ON EMPLOYER SURVEY OF CHILD CARE EMPLOYEE BENEFIT

by

Eleanor Clement Glass

and

Vernon A. Plaskett

Continuing Development, Inc.

CONFERENCE BACKGROUND

Eleanor Clement Glass and Vernon Plaskett

The issue of child care has drawn wide attention during the last 15 years. According to the 1975 Special Census, over one-third of all female workers have children who need care. The number of women in the work force is increasing rapidly; for instance, in 1979, there were over 25 million married couples working for wages. The U.S. Department of Labor predicts that, by 1990, over 70% of women of child-bearing age will be in the labor force. Obviously, there will be a much greater need than ever before for child care in the years ahead.

In Santa Clara County (California), there are approximately 29,000 child care spaces for a child population of over 200,000, aged 0-10 years. Infant care, care for the sick child, emergency care and before and after school programs for school-age children are sorely needed. Working parents, who are lucky enough to find care, are shouldering the burden of rapidly increasing child care costs. Diminishing public funds jeopardize even the existing programs.

Many employee-oriented companies are currently exploring the need for and initiating a variety of creative solutions to their employees' child care problems. Personnel concerns such as recruitment, absenteeism, and employee productivity are important problems that may be alleviated by a child care benefit program.

Recognizing the need, the city of Sunnyvale (Santa Clara County) began studying the child care issue in 1979. It became clear that companies interested in child care did not have access to enough information to support decision making. Thus, the city of Sunnyvale and its Private Industry Council commissioned a private child care management firm, Continuing Development, Inc., in January 1980, to collect and disseminate detailed information about the issue of child care. The project has three major purposes:

1. To conduct an area-wide needs assessment of companies to ascertain the status of child care benefits, interest of the management in employer-supported child care programs, common personnel problems related to child care, and related informational needs;
2. the design and compilation of a comprehensive resource data bank of articles and reports on the subject of employer-related child care that would be available to all interested companies;
3. the organization and implementation of a conference, bringing together management, representatives from local companies and child development professionals to address the issues.

A conference on Employer-Supported Child Care was held on May 21-22, 1980, in Sunnyvale, California. It dealt with the issue of child care as an employee benefit, addressing, but not limited to, such broad areas as: current issues, successful programs, company options, costs and benefits. The purpose of the conference was to support initiation and implementation of company-sponsored child care projects in local companies. Program options and pertinent implementation strategies were discussed with the view that they would assist employers in helping solve the child care problems of their employees.

REPORT ON
EMPLOYER SURVEY OF CHILD CARE EMPLOYEE BENEFITS

Eleanor Clement Glass
Vernon A. Plaskett

BACKGROUND

Sixty-three Santa Clara County employers participated in a survey on child care benefits for employees (i.e., the variety of ways that employers can help meet the child care needs of their employees) in Santa Clara County in February and March of 1980. The purpose of the survey was to assess and report on the level of interest of local companies in this area, the problems local companies experienced as a result of employee child care needs (e.g., absenteeism, high re-training costs, recruitment, etc.) and the status of current company practices (e.g., on-site center, maternity/paternity leave, vendor payment subsidy programs, referral to child care, etc.). Ascertaining the informational needs of companies regarding the initiation or expansion of such benefits in the future was also an important goal of the project. The survey was the first component of a three-part information and dissemination project focusing on industrial or employer-supported child care, sponsored by the Private Industry Council, City of Sunnyvale. This project also included the compilation of a comprehensive resource bank of books, articles and reports on employer-sponsored child care and a two-day informational conference for management personnel of Santa Clara County companies. The conference addressed specific topic areas highlighted by local companies who participated in the survey. The entire project was administered by Continuing Development Incorporated, a San Jose child care management firm.

SURVEY PROCEDURE

Data was collected in two ways: a general mail survey of almost 400 companies yielded 47 responses of which 39 were complete and codable, and 24 additional companies participated in personal interviews. The list of companies came from three major sources: 1) companies listed as having over 100 employees in Contacts Influential (Santa Clara County); 2) companies reported to be interested in employer-supported child care by members of the Coalition for Employer-Supported Child Care, a communication and support network of child care professionals and business representatives active in promoting employer-supported child care; and 3) companies referred by surveyed or interviewed companies.

The five-page survey instrument was designed for ease of completion and computer coding of results. The four major sections of the survey included:

I. Demographic information
II. Current Child Care Benefits
III. Company's Ideas About Child Care
IV. Informational Needs

MAJOR FINDINGS

Demographics:

- Company size ranged from 35 to 18,000 employees with an average of 717 employees
- Parents made up 58% of the work force; single parents made up 21% of the total
- Women constitute 43% of the total employees
- Average income was $20,900/year for salaried employees; $12,400 for hourly employees
- Swing shifts were in operation at 80% of the companies; night shifts were used by 50% of the respondents
- Monday-Friday work weeks were in the majority, but almost one-third of the respondents reported seven-day work weeks.

The sample of employers is unique with its high representation of electronics and high technology companies. This survey does not attempt to be a random sampling of companies, but focuses on those with potential interest and/or activity in employer-supported child care in the county. The high technology/electronics industry was a specific target group of the City of Sunnyvale because this was the group thought to have the greatest labor needs as well as interest in innovative benefit plans that would be competitive with other companies. Additionally, more specific referrals came from the high technology group to other high technology/electronics companies during the personal interviews. Many companies were unable to estimate the number of working parents and women. This is particularly important because these figures would be the first indication of the need for child care and the success of any child care benefit program within a company.

The survey does indicate that a substantial number of employees work swing shifts and a sizable number have graveyard shift hours. This, plus the fact that a number of companies indicated seven-day work weeks, point to the need for child care to be available during these hours. Typically, child care is only available during the day shift of a Monday-Friday work week. As a result, many workers have few child care options, if any.

CURRENT CHILD CARE BENEFITS

- Employee child care needs had been explored by 50% of the companies.
- The assessment method most often used was management discussion; least often used was employee committees.
- Serious consideration of child care as an employee benefit (conducting a survey, etc.) is a recent phenomenon -- one-half of the company surveys were done in the last six months.
- Company-sponsored programs currently include:

  one child care center (off-site)

two resource and referral programs
one on-site school-age program
one subsidized program for infants (vendor model)

There appears to be a recent trend among management personnel to explore both the child care need among employees and the possibility of providing a child care program. Most companies do not have formal surveys of child care need to share, nor have they involved their employees in thinking about child care as a possible benefit. Interestingly, five companies are already offering a child care benefit. One company has offered this benefit for over one year. The benefit is typically available to all, which appears to indicate that use of the benefit causes neither cost nor discrimination problems.

COMPANY'S IDEAS ABOUT CHILD CARE

- Knowledge of company-sponsored programs is limited; only one-third of the companies knew of existing programs.
- Absenteeism and tardiness were most often mentioned as productivity problems associated with child care.
- Enhancement of corporate image was felt to be a probable result of starting a child care program by 75% of the companies.
- Company responsibility for helping employees with child care was low; 75% of the respondents felt "not much" to "a little" responsibility.

Those companies indicating that the company may have "some responsibility" were primarily high technology and electronics companies. Also, high technology companies were the most knowledgeable about other existing programs and about other local firms who were considering child care as an employee benefit.

Other problems associated with employee child care that were mentioned by companies were lowered employee productivity, higher retraining costs, and lack of competitive recruitment. Only 20% of the companies had not observed any related problems.

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INFORMATIONAL NEEDS

- Companies felt well-informed on two topics -- potential problems of child care and different options for providing child care benefits.
- Information most needed was:

  potential financial benefits (i.e., regarding recruitment, absenteeism, retention, and productivity)

  different ways of developing a child care benefit program

  cost (initial and operating)

Eighty percent (80%) of the companies had little or no information on the following 15 topics listed in the survey:

- Child care regulations
- Staffing requirements
- Initial costs
- Operating costs and budget
- Different ways of providing child care benefits (e.g., on-site center, licensed child care homes, vendor-voucher, resource and referral)
- How to set up a child development program
- Tax advantages
- Site design
- Alternative funding possibilities
- Liability/insurance issues
- Potential financial benefits (improved productivity, lower recruiting costs, reduction in employee turnover and absenteeism, increased employee morale, etc.)
- Legislative efforts to secure child care benefits
- How to assess potential need
- Potential problems
- Comparability of benefits

Additional information requested was: 1) companies who are currently providing a child care benefit program; 2) related legislation; and 3) child care resource people in the community.

Seventy-five percent (75%) of the companies responding to the survey were interested in attending the May conference on employer-supported child care. Many offered names of other people and companies who should be notified and invited.

The county-wide survey was the first important step in learning what concerns local management personnel had about their employee child care problems. This information helped structure the conference to meet the expressed needs of management personnel.

Key Issues in Employer-Related Child Care

EMPLOYER-SUPPORTED CHILD CARE:
AN IDEA WHOSE TIME HAS COME

Judith F. Goldberg
ABT Associates Inc.

I was glad to see that the cover of the May 19th issue of Newsweek featured the home and work responsibilities of working women. If Newsweek thinks our topic is important, we must have arrived! I was also interested to see that the article talked about one woman even taking her baby along on a business trip. As many of you know I brought my five-month-old son with me to California not because I had to but because I wanted to. And we have definitely had child care problems.

I am going to be talking a bit conceptually this morning. All the other speakers during the conference are going to be emphasizing the practical so I am going to take the liberty of focusing on some overall ideas. I'd like to talk about three general things; what the purpose and need for employer-supported child care is; what things organizations can do to respond to current societal developments and third, attitudes organizations can take.

The first question is why has this topic suddenly emerged at this time? In the early 1970's a number of industrial child care centers were founded, only to close a few years later from lack of interest on the part of employers and employees. Why is interest -- and it's clear from the attendance here that there is interest -- reviving? I think there are a couple of reasons.

1. We have a need for child care based strictly on statistics. In 1970, 43% of adult women worked outside the home. The figure now is 51%. This translates into 7 million children under 6 with working mothers, while this country has only 1.6 million slots in child care centers.
2. There has been a trend toward later childbearing. Many women are waiting until they are past 30 to have their first child. Such women

are often fully involved in careers and do not want to interrupt them while their children are young.

3. Women today are more likely to have skills that are not easily duplicated. Employers, especially those in high technology industries, are having a hard time recruiting skilled personnel and retraining them. In the competition for good employees, the availability of child care can be a drawing card.
4. Productivity in the United States has not been rising as sharply as it has in the past. Western European countries and Japan are experiencing greater increases than the U.S. in productivity. If a case can be made for child care as a source of increased productivity, employers will be interested.

Those four points set the stage, but I would like to present the concept of employer-sponsored child care in a broader context than simply a way of allowing women, who will work anyway, to work. Rather I would like to have you see it as an opportunity for both parents and children to simultaneously enjoy opportunities for growth and contribution. We could say that the reasons for making employer-supported child care available are:

a) a chance for parents to be with children as much as they wish.
b) a chance for parents to participate in the world of work or schooling for their own growth and contribution.
c) a chance for children to enjoy the attention of loving adults and to participate in beneficial group activities.

For these purposes to be achieved there must be a variety of options available to parents. Parents and children are different, with needs different from each other and with changing needs throughout their life cycles. Some parents, mothers or fathers, will want to be home with their children full time while they are young and work later. Some will work during the infancy of their first child but choose to stay home for that period of their second child. Some will not want to interrupt careers at all. A woman I spoke with told me of a friend of hers who said that she was planning to work while her children were young but was going to be darn sure to be home when they were teenagers! Making it possible for parents to make whatever choices they feel are right for themselves requires the availability of options, and employers need to recognize that their employees need to have such options available if they are to be maximally productive on the job.

I might add that this vision of options is quite the opposite of the Soviet system, where it is virtually mandatory for parents to place their children in day care centers, and where a mother who wants to stay home has trouble getting permission to do that. I'm talking about options, so that a parent can choose in any direction.

Next I want to talk about what organizations, especially employers, can do to make it possible for the goals of parent and child growth and contribution to be realized.

First, you can offer more flexibility in working hours. As you may know, a large number of companies in Europe, and some here, have instituted a program called flextime. Employees can set their own hours as long as everyone is in the office during a certain core period, usually ten to two. This system offers obvious options for child care arrangements, such as two working parents sharing most of the child care because they don't have to be at work at the same time. Or mothers with older children can put in most of their hours when the older children are home from school and can take care of their younger sisters and brothers. I'm sure there are also people

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for whom such a system would not offer advantages. Remember, though, we are talking about options.

The second thing that organizations can do is to utilize the new telecommunications technology. Much of the new technology makes work independent of time and place. There is something called, for example, a communicating word processor which makes it possible to work at home and send material by phone to a remote location. Use of this new technology has the advantage, of course, of allowing a parent to be home with a child and to work as well, either during the day or in the evening when the child is asleep. Now I'm not suggesting that this could be a solution for everyone. I myself, for example, could never get away with trying to work at the same time as being home with my baby. Furthermore, many women see work as an opportunity to get out of the house and have some adult companionship. So such an arrangement would not work for lots of people. Remember though, we are talking about options.

The final suggestion I might make for employers is to encourage the development of the child care industry. We could look at it as analagous to solar energy. Although the technology has been in existence for a while, it has taken the development of a supply industry to make that technology available on a widespread basis. Right now good child care is available only on a hit or miss basis. Maybe some of you high technology industries can offer computer games for pre-schoolers that child care centers can use to improve their programs. Or invent software which can allow a child monitoring system, so that records of illnesses, developmental progress and other things can be accessed and updated. Anything that improves the quality or efficiency of the child care industry will make a contribution to children and parents.

I'd like to add a personal note here which relates to my ideas. The company I work for, ABT Associates, has a child care center in the building. It also takes infants, starting at age 3 months. When my baby was born five months ago I found that there would be no opening available when he became eligible. So I looked for an alternative plan and found a wonderful babysitter. Now I have a confession to make: Before I left on this trip the ABT Associates child care center told me that there would be an opening in June. I thought about it and, although here I am speaking about employer-supported child care, I've decided to keep him with his babysitter. It's kind of embarrassing, I guess, but it really shouldn't be. We are talking about options. And I certainly would rather have him in the ABT center than with a not-wonderful babysitter. And, as those of you who are mothers can testify, wonderful babysitters are rare indeed. So what employer-supported child care can do, however it is structured, is offer *options*.

The last area I want to cover is that of attitudes that organizations can take to fulfill these purposes. These are really ways of looking at the work and family situation.

First, recognize that productivity in information industries is based for the most part on ideas and communications, not on the number of hours put in repetitive activities. Gains in productivity come from more timely and informed management decisions, so that expansion of the workplace in time and space and reduction of time and energy devoted to maintaining child care arrangements can result in important productive gains that may not show up through traditional measures.

Second, recognize the real changes in American family life -- most women, and most mothers work; nuclear families are in the minority among household constellations; pre-school children need child care. It makes no sense to waste time bemoaning these facts.

Third, recognize that men are allowing themselves to relate in a nurturing way to their children. They are fighting for custody or joint custody in many cases. Men who are your employees want to spend time with their children. Being the parent who drives the child to the child care provider is a way for working fathers to gain a little extra time with their children. And some fathers want to stay home full time.

Finally, and related to the last point, we need to break the headset that establishes a barrier between market and non-market work. If providers get paid for child care, then child care must be work. If a mother is not paid for child care, is it then suddenly not work? Many people see AFDC payments as a drain on public resources. We need to recognize it for what it is -- paying mothers with no other source of support to take care of their children. We need to let child care be considered as legitimate activity. Many other countries pay parents for childrearing. The state of California in its new divorce code has begun to recognize the market value of child care done by parents. As long as child care is viewed by employers or anyone else as something that doesn't or shouldn't cost anything, parents and children are going to be stuck with limited options.

So I guess I've used the word "options" too many times, but it's really the message I want to get across. The rest of this conference will let you know more details about all kinds of possibilities.

CHILD CARE AND PUBLIC POLICY

Diane Carey
University of California, Los Angeles

Members of the business and industrial communities have expressed increasing interest in child care over the past few years. Many employee-oriented companies are aware of the fact that their employees' child care problems are a significant barrier to productive employment and are currently exploring a variety of creative solutions to their employees' child care problems. Because child care is outside the scope of most companies' normal operations, many employers have questions about this new area. Many of the questions employers commonly ask regarding child care relate to public policy. The purpose of this paper is to provide a broad overview of the public policy issues related to child care in general, and to employer-supported child care in particular.

The five major questions that business and industrial leaders frequently pose are: What is the existing child care policy? What current policy issues in child care relate to the concerns of private industry? What are the barriers and benefits to company involvement in child care? What kind of planning is needed to eliminate these barriers and to enhance the benefits for companies? And finally, what kind of public policy changes are needed with respect to employer-supported child care? Responses to these questions illuminate the present situation with regard to the policy and practice of employer-supported child care as well as point out changes which are needed in this area.

WHAT IS THE EXISTING CHILD CARE POLICY?

An examination of state and national policy statements, reading task force reports, and talking to policy makers could provide an answer to this question. But, probably the best way to get an accurate picture of existing policy is to look at the consequences of that policy, that is, to see how many children are presently receiving child care services, who provides those services, and for what purpose. A summary of this information can be found in Table 1.

Table 1

Summary of the Present State of Child Care and Development Services in California

Subsidized Child Care and Development Services, 1977-78

Families obtain subsidies through	Administered by	Number children served	Eligibility	Cost (in millions)	State license or approval
Publicly funded programs	Department of Education	69,000	Low income, working, training, special needs	$ 106	Required
Publicly funded programs	Department of Education (State Preschool)	20,000	Low income, circumstantially disadvantaged	25	Required
Income disregard	State Department of Social Services	60,000	Working and on Welfare	41	Not required except in mandated training programs
Publicly funded programs	Department of Health, Education, and Welfare (Head Start)	23,500	Low income (10% can be above income; 10% handicapped mandated)	50	Required
Tax credits	Internal Revenue Service; Franchise Tax Board	Unknown	Working	44 11.7	Not required
Total		172,500		277.7	Public

Nonsubsidized Child Care and Development Services

	Private Sector (nonprofit and proprietary)	169,000	None	Unknown	Required (Public & private)
Grand Total		341,500		+500(?)	

from:

Child Care and Development Services, Report of the Commission to Formulate a Plan for Child Care and Development Services in California, State Department of Education.

Copies of this publication are available from: Publications Sales, California State Department of Education, P.O. Box 271, Sacramento, California 95802

1. Subsidized and nonsubsidized child care services

Subsidized child care services are those in which the government supports some or all of the cost of the care. Nonsubsidized services are privately funded and have been developed primarily to serve families who have the ability to pay the full cost of care. Let us briefly examine both types of service.

In California, the following four government agencies administer subsidized child care funding: (1) the State Department of Education funds a variety of child care and development programs for low income families, (2) the State Department of Social Services administers an "income disregard" program for employed families on welfare, (3) the federal government sponsors Head Start programs for families whose income is below poverty level, and (4) the IRS offers an indirect form of assistance through tax credits to families of moderate and middle incomes.

Table 1 also provides some important information about the cost of child care ($277.7 million in public funds; the amount of private funds is unknown, although $500 million is a conservative estimate) and about the number of children served in California (341,500 total: 172,500 in publicly funded programs, 169,000 in privately funded programs). A report of the California State Department of Education's Commission to Formulate a State Plan for Child Care and Development Services, commonly referred to as "the Riles Commission Report" indicates that this figure represents service to only one-third of the state's children and families who need child care services.

Table 1 also clearly shows that eligibility for all directly subsidized child care programs has been tied to income level. That is, direct funds from federal and state sources are granted only to those child care programs which serve employed low-income and welfare families.

2. Employer-supported child care services

Of all the children receiving child care services, only a fraction are enrolled in employer-supported child care centers. In a 1978 survey of all employer-sponsored child care centers in the United States, Dr. Kathryn Perry (the University of Wisconsin, Milwaukee) found employer-sponsored child care centers enrolled only 2.9 percent of the total number of children in all child care centers. Nationwide, there were 75 centers sponsored by hospitals, 14 centers sponsored by government agencies, 9 centers sponsored by industry, and 7 centers sponsored by labor unions. In California, she found 2 hospital-sponsored centers, 1 government-sponsored center, and NO industrial centers. Dr. Perry did not look at forms of employer-supported child care other than centers.

Another important statistic is the number of centers which were started and then closed. Rosemary Gido (1980) stated that 84 percent of the employer-supported work-site centers, which opened between 1960 and 1974, subsequently closed. So, not only are there very few work-site child care centers, but there has been a high failure rate among those which have been started. The reasons for this high failure rate will be examined later in this paper.

Part of the reason for such a small number of employer-supported child care programs is due to current public policy. Federal and state governments offer few incentives to employers who sponsor child care programs. The few tax advantages, which do exist for the employers (amortization of construction costs, deducting child care costs as a charitable contribution or a fringe benefit), were not developed specifically to encourage industry's support of child care. Neither explicit public policy statements nor legislation exists to encourage employers to become involved in this area.

In summary, California's current child care policy has been to offer no special incentives to employers who become involved in child care, to serve only one-third of the need, and to directly subsidize only those programs serving low-income and welfare families. These policies, questioned by many in the child care community, will be discussed in greater depth later in this paper.

WHAT CURRENT POLICY ISSUES IN CHILD CARE RELATE TO THE CONCERNS OF PRIVATE INDUSTRY?

1. Expanding need for all types of child care

In spite of the amount of money and effort presently being spent on child care, there is solid evidence that not only is there not enough child care now, but that the situation will get worse in the coming years. Some statistics from the Riles Commission Report document the increasing need for child care services including some of the changes that have taken place in the family in recent years. If the same trends continue, the following can be predicted for California in 1984:

> First, the birthrate decline has resulted in 16 percent fewer children in California under 14 years in 1978 than in 1970. This trend suggests there will be even fewer children under age 14 in the next few years.

Table 2

Number of births

1970	1978	(estimated) 1984
5,525,000	4,630,000	4,250,000

Second, the number of children under 14 years whose mothers work will increase. In fact, the number of working mothers is increasing at a slightly faster rate than the rate at which the number of children is declining.

Third, mothers are going to work when their children are younger. If this trend continues, over half of the children under six years in 1984 will have mothers who work.

Table 3

Number of working mothers

1970	1978	(estimated) 1984
2,102,000	2,240,000	2,455,000

Finally, 24 percent of the children under 14 will be living in a one-parent family in 1984. The increase in divorces and separations has significantly changed the family composition. Of necessity, the number of working mothers in one-parent families is substantially higher than in two-parent families (Child Care and Development Services, 1978).

Table 4

Percent of children, 0-14 years in one-parent family

1970	1978	(estimated) 1984
11.1%	17.1%	24.0%

In summary, the number of children with working mothers is increasing despite the decline in birthrate. Therefore, the need for child care and development services will continue to grow. At present, only about one-third of the families who need child care are receiving these services, and the previously cited trends suggest that a bad situation is becoming worse.

2. Eligibility of children in publicly funded programs -- limited to low income

The policy issue of restricting eligibility for subsidized child care to children from poor and low-income families has been noted. This policy is being questioned by many in the child care community who strongly believe that the link between child care and welfare should be broken. They argue that almost everyone with children has problems finding the child care they want and need. The first recommendation of the Riles Commission calls for a wide range of quality child care and development services to all children and families -- not just to those with limited income. The Commission was careful to point out that this does not mean that services would be free to everyone, only that child care services would be available to families of all incomes.

Opponents of this recommendation argue that, since child care is expensive and public funds are limited, publicly supported child care programs should continue to be restricted to low-income families. They would probably continue to press their argument if legislation were proposed to fund industrial-sponsored child care programs out of public funds.

3. Costs

Probably the biggest policy issues in child care today are economic. Legislators and policy makers are asking the following questions: Is child care a cost-effective use of public funds? Is it possible to serve more children for less money? Given Proposition 13 and the "taxpayer revolt," what can be done to cut the cost of child care services? Results of several studies are informative and may propose responsible answers to these questions.

There has been increasing evidence of the cost-effectiveness of child care programs. Ruth Fries and Miriam Miller (1980), studying families in Livermore who used child care services over a two-and-a-half year period, examined the cost-effectiveness of child care programs. They found that welfare costs were reduced by almost half because having child care enabled parents to work and thus either reduce the aid required or permitted them to go off welfare completely. Fries and Miller also found income and sales tax revenues to the state and federal governments were increased because of the higher salaries these families were making. They concluded that child care is in fact a cost-effective use of public funds.

Irving Lazar and Richard Darlington (1980) of Cornell University coordinated the Consortium for Longitudinal Studies, which pooled and analyzed data from twelve preschool programs. They reported cost-effectiveness findings similar to those of Fries and Miller. They found that preschool education programs significantly reduced the number of children assigned to special education classes and also significantly reduced the number of children who were retained at the same grade level. The authors conclude that these outcomes are important both to the child, as a concrete example of satisfactory progress, and to society. A cost-benefit analysis of these programs shows that preschool "paid" for itself by reducing children's need for later costly special education.

But, in spite of the cost effectiveness and increased need for child care programs, more funds are unlikely to be forthcoming. The reason? As a consequence, in part, of inflation and the current "taxpayer revolt," social service programs such as subsidized child care are finding it extremely difficult to obtain the funds they need both for ongoing program costs as well as initial start-up costs.

Revenue is badly needed for start-up costs to open centers -- to acquire a suitable location, build new facilities, renovate existing buildings to bring them into compliance with fire and building codes, and to purchase appropriate equipment. In the past, the government has provided only very limited funds for such expenses on the theory that scarce financial resources should all be directed into operating costs which provide services to children rather than into buildings. However, in many communities and industrial sites there are simply no appropriate facilities available. In such cases, operating funds without start-up funds are of little use.

The issue of operating costs is a major problem itself. A decision must be made between a low-cost, minimal service "custodial" program and a high-cost, multi-service program -- commonly referred to as a "developmental program" -- or something in between. Because this is an important decision that child care providers must make, and because it bears on policy being made, the debate between custodial and developmental care bears further inspection.

4. Custodial versus developmental programs

Custodial child care supporters argue that, after meeting minimum health and safety requirements, child care centers should provide only the bare necessities of a program so that as many children as possible can participate. This usually means that each teacher supervises a large number of children, receives the minimum wage or close to it, and has not had an extensive education in child development. (In child care, as in other fields, a trained person costs more money.)

Alternatively, developmental child care advocates seek a program to serve not only as caretaker but also as educator to the child. Developmental child care programs commonly do the following, above and beyond custodial care: include educational enrichment and age-appropriate program activities and services, make additional support services such as transportation, food, and health care available to children and families, and provide qualified and fully trained teachers.

It is important that people from industry who are contemplating starting a child care center consider this issue very seriously. It should be noted that, when attempts have been made to provide custodial "bare bones" programs only, some providers have found that underutilization problems have occurred because parents are not satisfied with the service.

5. Regulation of programs (i.e., licensing, monitoring)

Related to the custodial versus developmental child care question is the issue of government regulation of programs. California law requires the licensing of all programs which care for children in the absence of their parents. State licensing regulations define health and safety standards, the training and experience requirements of staff, and necessary staffing ratios of adults to children. It is estimated that nationwide only 10 to 25 percent of all children in a child care arrangement of some kind are in licensed child care facilities.

Those who favor more licensing (strict enforcement of regulations, rigorous standards and application of regulations to all settings) believe that all facilities serving children should meet licensing standards so that parents can be assured that the health and safety of their children are not in jeopardy. They maintain that licensing provides an important tool through which quality standards can be enforced. Licensed facilities help to provide equal services for children regardless of whether their care is paid for by their parents, the parents' employer, or subsidized with public funds.

Those opposing licensing cite additional costs and government intrusion as the main reasons they believe licensing regulations should not be strictly enforced and expanded to cover all children in child care settings.

6. Public funds to private-for-profit corporations

Another current policy issue in child care concerns whether public child care funds should be used in profit-making corporations. Some child development advocates fear that the result of profit-making child care will be what they call "Kentucky Fried Children," referring to the observation that cheap, efficient service to large numbers of people is often at the expense of quality. Providers in the private sector argue that if they can provide quality services at a low cost, they are entitled to a reasonable profit. Current state and federal policy allows proprietary agencies to administer child care funds -- but not to claim a profit. Legislation that would change this situation is now pending in California. Present public policy, however, dictates that no provider is allowed to make a profit from child care funds.

In summary, the current policy issues in child care which relate to the concerns of private industry are: increasing need for all types of child care, limiting eligibility of children in publicly funded programs to low income, increasing cost, choosing a custodial versus developmental program, regulating programs, and providing public funds to private-for-profit corporations.

WHAT ARE THE BARRIERS AND BENEFITS TO COMPANY INVOLVEMENT IN CHILD CARE?

An examination of some of the barriers to employer-supported child care provides some reasons why only very few industries currently operate child care programs. Among the potential problems an employer might encounter in opening an on-site child care center are the following:

1. Cost. The cost of opening and operating a child care center may be more than an employer feels the benefits of the center are worth. Kathryn Perry (1978) found that, of 17 employers who had opened and then closed

child care operations, high cost was the reason that half the centers gave for closing.

2. Underutilization of center. Underutilization was the reason that a third of the centers cited in Dr. Perry's study for closing their centers. Underutilization may be due to either insufficient numbers of parent employees with eligible children which results in the center not being used to capacity or to parents' preferring other forms of care. Parents may prefer other child care arrangements for several reasons: (1) Transportation to and from the center may be difficult for parents using public transportation such as the bus or subway to get to work or for those driving a long distance to the work site. (2) Parents may prefer that the daily playmates of the child be from their home neighborhood rather than the mixture of children at the work-site child care center. (3) Parents may not want to tie child care arrangements to their place of employment so that if they change jobs their child care arrangements will not be disrupted. (4) If the center serves only one age group of children and a parent has children of various ages -- for example, a family with a 4-year-old, an infant, and a schoolage child -- the parent may not want to split up children at various locations.

3. Inequality of fringe benefits. The employer may feel that a fringe benefit in the form of support for a child care center, which only serves a small number of workers, is not fair to those employees without children.

Of the three barriers to employer-supported child care discussed above, the importance of cost needs to be emphasized. The other barriers of underutilization and inequality of fringe benefits can be surmounted through careful

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planning. The issue of cost has been the major reason why employers have closed the existing centers and why many other companies have never started these programs.

The benefits of the employer-supported child care should also be examined. In her study, Dr. Perry (1978) found the following benefits from employer-sponsored child care:

1. Reduction of job turnover rate. Job turnover rates were lower because parents did not have to leave their jobs due to child care problems.
2. Reduction of absenteeism. Absenteeism of parent-employees was reduced because on-site centers provided more dependable service than other child care arrangements where a single caregiver was involved.
3. Improvement of personnel recruitment potential. Employers with child care programs have reported that it was easier to attract and hire new employees because of the availability of child care benefits.
4. Improvement of employee morale. Employees developed more positive attitudes toward their employers because they perceived an increased sensitivity to their needs.
5. Assistance with affirmative action. Industry-supported child care has enhanced employers' ability to attract minority employees because mothers of minority races are more likely to work than white mothers. In 1973, 49 percent of minority women with children under 6 years of age were in the labor force while only 34 percent of white mothers of children under 6 were in the labor force (U.S. Senate, 1974).

6. Improvement of employer/community relations. Relations between the employer and the community have improved because the employer assisted in the care of children in the community, thus providing a community service.
7. Opportunity for good publicity. Publicity generated by articles about the child care program in newspapers and periodicals is beneficial to the company's public image (Perry, 1978).

This is not to say all these benefits are guaranteed to accrue with the opening of an industry-sponsored child care center, only that the potential for these and other benefits is there. To evaluate how a company may proceed to take advantage of these benefits, the next question is posed.

WHAT KIND OF PLANNING IS NEEDED TO ELIMINATE THE BARRIERS AND TO ENHANCE THE BENEFITS FOR COMPANIES?

Planning at the company, community, state, and federal levels and at various stages is required.

1. Company

After answering the basic question of whether employer-sponsored child care is appropriate for an individual company, a good place for the company to start its planning is by designating a person to be responsible for the effort. This person might want to consult with someone from the child care community to see what course of action, direct or indirect involvement, is best suited for a particular company's needs.

Direct involvement, where the company operates an in-plant center, has a number of benefits and some problems associated with it. One problem is that an in-plant center casts the company in the role of a direct provider of services -- a role which many firms are reluctant and often not competent to assume. In-plant centers do not meet the needs of large numbers of parents who have both pre-school and school age children or who take public transportation to work. The start-up costs of a center are sometimes prohibitive. The legal liability of a company for an in-plant center is another important and not easily resolved concern.

Indirect involvement can take a variety of forms, such as contracting with existing facilities, vendor payment programs, resource and referral programs, or hiring child care specialists as will be outlined below. A Task Force of the State Social Welfare Board on Industry's Involvement in Child Care (1971), including several people from industry, reported that the indirect approach seemed to be much more acceptable to industry because it keeps industry out of a direct service role and enables them to respond flexibly to changing employee needs.

The opportunities for indirect involvement are as follows:

- Contract with local child care centers. Industry can directly contract with private child care providers to offer care at a number of locations. Industry can also provide block grants to child care programs for the purpose of guaranteeing the availability of a specified number of openings for the children of company employees.
- Offer voucher/vendor payment program as part of fringe-benefit package. A vendor payment system is an extension of the contracting option. It is a child care delivery system which subsidizes all or part of the costs of child care for a family. The system allows maximum parent choice of child care type (i.e., family child care or center care) and potential utilization of all child care providers in the community.
- Contract with resource and referral agency or child care specialists. Another avenue of indirect involvement is to contract with resource

and referral agencies or child care specialists to provide direct services to employees with child care problems. These specialists could refer employees with problems to appropriate agencies, seek out and find suitable child care placements in the vicinity of the employees' residence, or help the company set up a center.

In trying to opt for provision of direct or indirect services, a company should do a needs assessment to determine employees' interest in and potential utilization of a child care center. A good needs assessment should generate answers to the following questions: How many employees with children of appropriate ages would use the center? Are present child care arrangements satisfactory to the employees? Would the availability of a child care center help recruit new employees? What is the child care availability in the area? Is utilization of the center to its capacity ensured? A careful and extensive needs assessment is not only a wise but a necessary part of planning a successful child care center.

If the needs assessment demonstrates sufficient support for child care, a long-range (five-year) plan should be developed for the company which outlines all necessary steps to develop a child care program. Of course, a careful cost analysis would accompany the plan for various options in order to predict how much the employer would have to subsidize the child care plan, both initially and on an ongoing basis.

Finally, companies may want to become involved in drafting and supporting child care legislation. Legislators would welcome the opportunity to hear the industrial point of view on the child care issue. They are looking for alternatives to high-cost, publicly subsidized programs and industry-sponsored programs offer an exciting alternative.

In summary, a company can designate a responsible person, explore options, conduct a needs assessment, develop a five-year plan, and become active in child care legislation to investigate and plan a child care program. Let us now review what a local community can do to contribute to industry-sponsored child care.

2. Local community

Local communities as well as companies can engage in certain planning efforts to encourage employer-supported child care and to demonstrate their commitment to supporting their constituents and industries. Community commitment can be demonstrated in several ways.

Explicit public policy statements such as the city of Sunnyvale has made are encouraging and effective. The Sunnyvale City Council has adopted a comprehensive public policy statement endorsing the planning and establishment of industrial-supported child care programs.

Cities and counties also can assist industries by conducting a needs assessment of child care availability in the city or region. These community-wide needs assessments are of great help in developing company five-year plans and needs assessments.

Cities and counties can also help companies cope with any zoning and building restrictions which might prevent the development of the type of child care arrangement a company believes will benefit its employees.

3. State and federal levels

Planning is also needed outside the company and community at the state and federal levels -- not only by the state legislatures and Congress, but also by the state and federal agencies which have the responsibility for child care. If we are serious about enhancing incentives for companies, not only must planning be done, but certain public policy changes must occur. Some of these new directions are discussed in response to the final question posed here.

WHAT KIND OF PUBLIC POLICY CHANGES ARE NEEDED WITH RESPECT TO EMPLOYER-SUPPORTED CHILD CARE?

As noted earlier, the need for child care will become more acute in the coming years. Because of inflation and the "taxpayer revolt," policy makers are looking for alternatives to high-cost subsidized child care programs. Very few industrial-supported child care programs exist either in California or in the rest of the country. The cost of opening and operating employer-supported child care programs is simply much too much for employers to sustain. The few tax advantages which do exist are not sufficient and were not developed specifically to encourage industry's support of child care. There are no explicit public policy statements or incentive programs at either the state or federal levels to encourage employer-supported child care programs.

A change in the current public policy to encourage the involvement of industry in child care is necessary. Unless public policy is altered to offer employers some significant incentives to become involved in child care, large-scale involvement by industry in future years in child care is not very likely. Legislation which would provide monetary incentives and assistance to industry needs to be developed and implemented. What might be contained in such legislation? Let us review some of the public policy changes being suggested by various groups.

The Riles Commission reports suggests that, to encourage employers to provide child care services, increased incentives such as tax credits should be available to employers who either choose to provide direct service programs, such as on-site center care, or to provide vouchers to family child care homes or centers.

Second, the Riles Commission believes that another possible incentive for employers would be to give companies federal funds for child care on a "matching basis." This would mean that an employer or a group of employers would put up the necessary 25 percent of the total cost of the child care program in return for 75 percent of the cost of the program from the federal government.

Third, the Riles Commission believes tax incentives should be available for employers who provide maternity or paternity leaves without penalties for employees. They point out that the rapidly increasing number of working women who have children under six years old results in an ever-increasing need for infant care. Because state licensing requirements specify a staffing ratio of one adult for every four infants, infant care is the most expensive kind of child care to provide. The Commission believes that a good strategy from an economic and child-rearing point of view is to provide incentives for employers who provide maternity and paternity leaves up to six months. They argue that this plan has the following advantages: child care costs would be reduced, children would have the benefit of their parents' care, and parents would not have to face the meager child care alternatives now available for infants.

The National Day Care Campaign (1980) is a group of influential child care advocates on the national level who are working on a legislative initiative that "would provide tax incentives to employers who develop fringe benefit plans supporting employer-purchased child care at the work site or elsewhere." Their platform calls attention to the unique aspects of "employment-related child care as one of the few preventive, family-supportive community supports needed by the American family today in its struggle for economic survival."

The California Governor's Advisory Committee on Child Development Programs is another group which is doing a great deal of work on employer-supported child care. They are working out some specific formulas which might be included in a bill which will be introduced in the near future.

Finally, it should be pointed out that no one in the child care community really knows exactly what is needed. Child care specialists speculate as to what industry would regard as incentives to become involved in child care. Industry has expressed interest in child care but understandably lacks expertise in the area. What incentives really would get private industry fully involved in and committed to child care? Conferences such as "Employer-Supported Child Care -- An Idea Whose Time Has Come" offer an exciting opportunity for dialogue. Most likely neither the child care community nor the industrial community nor the public policy community alone know the answer. But working together, a responsible, attractive, and important resolution to the growing need for quality child care in this country can be found. If the child care and private industry lobbies present a united front on this issue, present public policy will be changed. In such a way we can turn employer-supported child care, an idea whose time has come, into a reality.

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LEGAL ASPECTS OF CHILD CARE AS AN EMPLOYEE BENEFIT

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I. INTRODUCTION

There are many legal issues involved in the establishment of child care as an employee fringe benefit.[1] This article will explore two important issues in this rapidly growing field -- the propriety of offering a child care benefit only to employees with children and the present state of the law concerning income tax consequences of the benefit to the employee.

II. CHILD CARE AS A BENEFIT FOR SOME, BUT NOT ALL, EMPLOYEES

By its nature, child care is a benefit of interest to a limited group of employees, i.e., those who are responsible for the care of young children. As a consequence, many questions have arisen concerning the appropriate allocation of the benefit among employees. For example, is it legal to offer child care benefits only to female employees, or to offer the benefit only to employees who are parents of small children and not offer an economically equivalent benefit to other employees? Even more limiting, could an employer legally restrict the benefit to certain groups within the company; for example, employees in a particular department or at a certain salary level?

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[1] The legal issues involved in establishing any employer-supported child care program will vary depending on the type of child care service to be provided. A selected list of relevant publications which treat child care legal issues is given on pages 56 and 57.

A. LAWS PROHIBITING EMPLOYMENT DISCRIMINATION

In order to answer these and other questions (raised above), it is necessary to first describe the basic anti-discrimination laws an employer must follow in the treatment of employees. The principles set forth in these laws apply to child care as an employee fringe benefit.

1. Title VII and Executive Orders

On the federal level, the major anti-discrimination law is Title VII of the 1964 Civil Rights Act (Title VII).[2] Federal contractors and subcontractors are also covered by two Executive Orders which prohibit discrimination and also require affirmative action to ensure equal opportunity.[3]

Title VII is enforced by the Equal Employment Opportunity Commission (EEOC)[4] and prohibits employers[5] from discriminating against their employees on the basis of race, color, religion, sex, national origin or reprisal for filing an EEOC complaint.[6] Title VII applies to employers in all states.

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[2] 42 U.S.C. Sections 2000e, *et seq*. For a complete discussion of Title VII and laws, see Schlei and Grossman, *Employment Discrimination Law*, Bureau of National Affairs, Washington, D.C., 1976, and Supplement, 1979

[3] Executive Order No. 11246, 9/24/65, 30 F.R. 12319, as amended by Executive Order No. 11375, 10/13/67, 32 F.R. 14303.

[4] See Equal Employment Opportunity Commission Regulations and Guidelines, 29 C.F.R. Part 1600 *et seq*.

[5] See 42 U.S.C. §2000e for definition of employers and others covered by Title VII; see, also, relevant sections of state fair employment laws.

[6] 42 U.S.C. §2000e-2.

2. State Laws

In addition to Title VII, employers must follow the requirements of the pertinent state anti-discrimination laws.[7] In California, the state law is called the California Fair Employment and Housing Act ("California Act") and it is enforced by the California Department of Fair Employment and Housing.[8] California law prohibits discrimination on more bases than does Title VII, i.e., race, religious creed, color, national origin, ancestry, physical handicap, mental condition, marital status, sex, age and pregnancy.[9]

B. ANALYSIS OF ANTI-DISCRIMINATION LAWS

To put these laws in context it is important to note that, in everyday usage, to "discriminate against" someone means to treat that person unfairly in comparison to others. However, as used here, in talking about an unlawful employment practice, discrimination means to treat someone unfavorably in the context of Title VII, the California Act or some other anti-discrimination law. These acts not only have specific bases upon which discrimination is prohibited, but also specific issues upon which it is illegal to discriminate, including hiring, firing, compensation, terms, conditions or privileges of employment and others.[10] Child care assistance or services provided by an employer is a term, condition or privilege of employment similar to a medical plan, a group services plan, or an educational assistance program for employees and, as such, is covered by the law.

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[7] California Government Code Sections 12900 _et_ _seq_. (former Labor Code Sections 1410 _et_ _seq_.).

[8] See Fair Employment and Housing Regulations, Title 2, Division 4, California Administrative Code, Sections 7285 _et_ _seq_. (adopted 1980).

[9] California Government Code §12940 and §12945

[10] 42 U.S.C. §2000e-2; California Government Code §12940.

Thus, in California, with respect to a child care benefit, it is unlawful for an employer to deny the benefit to an employee on the basis of the employee's race, sex, marital status, or other protected bases. In other words, the benefit must be made equally available to men and women employees, as well as to married, divorced and single employees.

As it is clear from the above discussion, the employment discrimination laws do not recognize "non-parenthood" (as opposed to race, sex, etc.,) as a protected basis. Thus, an employer is not required by these anti-discrimination laws to provide child care, or an economically equivalent benefit to the other employees. In fact, for purposes of California law, California Government Code Section 12947, enacted in 1978, specifically authorizes the provision of child care services:[11]

> It shall not be an unlawful practice under this part for an employer or labor organization to provide or make financial provision for child care services of a custodial or other nature for its employees or members who are responsible for minor children.

This section opens the door for California employers to provide child care benefits through the direct operation of a program, financial support, or any other method. There is no limitation in this statute concerning the

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[11] The broadly permissive language of Government Code §12947 (see text infra for text of §12947) raises the possibility that child care is somehow exempted from the Fair Employment and Housing Act. This interpretation seems so unlikely that the attempt here has been to harmonize §12947 with the other provisions of the Act.

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type of program.[12] In fact, the Legislature went out of its way to provide maximum flexibility on this point by stating that the services may be of any nature.

In an analagous situation, many currently existing benefit plans benefit some employees more than other employees. For example, medical benefits often cover dependents, thereby disproportionately benefiting employees with a large number of children. This practice, too, is explicitly permitted by California law in Government Code Section 12940 (a)(3) which states:

> Nothing in this part relating to discrimination on account of marital status shall...prohibit bona fide health plans from providing additional or greater benefits to employees with dependents than to those employees without or with fewer dependents.

Despite the legality of the child care benefits, an employer, as a matter of personnel policy, may wish to equalize employee benefits by offering a menu of benefits through a "cafeteria plan," discussed in Section III, B., below. From the above it is clear the employer may offer the benefit only to parent employees so long as no inappropriate discrimination is made among those employees.

The question remains whether the child care benefit can be made available to a selected group of employees, e.g., members of a department or employees in a certain salary category. The answer to this question is a qualified "yes." The child care benefits will probably not be unlawful employment discrimination as long as employees to whom the benefit is offered are selected on some rational basis which is not prohibited by the anti-discrimination laws. Thus, it would probably be legal to offer the benefit to only one department or only one salary category. However, to reiterate, once the department or salary category is selected it is unlawful to distinguish among members of that group on a basis prohibited by the anti-discrimination laws. By identifying the department or salary category to receive child care benefits, the employer has, for purposes of this benefit, created a group of "similarly situated" employees and it would be improper to discriminate among them on a prohibited basis.[13]

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[12] But see re: rapid depreciation of child care facilities: Internal Revenue Code §188, which requires that the program maintain at least 80% employee children to qualify for §188 treatment; and California Revenue and Tax Code Section 17225.5 and Bank and Corporation Tax Law Section 24371.5 which requires programs to meet the requirements of the Child Development Act, Education Code §8200 et seq., to qualify for the rapid depreciation of the facility.

A potential problem with limiting the child care services to a particular department or salary category is the chance the limitation might result in what is termed "adverse impact" on a group of employees protected by the anti-discrimination laws. For example, if the selected department happened to be 95% female, the male employees might be able to claim that while the selection of that department was ostensibily sex-neutral, in fact, it has had an adverse impact upon men because so few men are in a position to receive the benefit. While California Government Code Section 12947[14] authorizing child care services offers considerable security against suits brought under the California Act, no equivalent provision exists in Title VII or in most other state laws. Because the law is relatively undeveloped on this point, no clear answers are available. As a consequence, employers would be well-advised to consult their labor attorney in advance of implementing a child care program, particularly where the group targeted to receive the benefit is predominately one sex, one

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[13] Schlei and Grossman define "similarly situated" as meaning that "the persons who are being compared are so situated that it is reasonable to believe that they would receive the same treatment in the context of a particular employment decision." supra at p. 16, n.6, citing EEOC Interpretative Manual §132.5(c).

[14] See n.11, supra.

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race, one ethnic group, etc.

C. CHILD CARE AS PART OF AN AFFIRMATIVE ACTION PROGRAM

An employer may wish to include child care as an enhancement to an affirmative action plan required by government contracts. In addition to the potential positive benefits, such as recruitment and retention of female and minority workers, inclusion of child care in the affirmative action plan may provide a defense to a potential discrimination claim by a non-participating employee.

D. UNION CONSTRAINTS

While beyond the scope of this article, constraints imposed by union contracts should be investigated where appropriate.

III. INCOME TAX ASPECTS OF A CHILD CARE BENEFIT

This article will not attempt to exhaust this topic, but, rather, will suggest some touchstones and avenues for further inquiry.

A. INCOME TAX CONSEQUENCES TO THE EMPLOYEE OF A CHILD CARE BENEFIT

The basic rule is that all items of economic benefit, whether cash or in-kind service, which are received as a result of the employment relationship are to be included in gross income and are subject to tax.[15] Of course, there are exceptions to this rule. For example, many fringe benefits have been explicitly excluded from income, including medical and disability benefits, group legal service plans and educational assistance programs for employees.[16] Child care benefits, however, are not among the benefits statutorily excluded from income.

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[15] Internal Revenue Code § 61(a).

In addition to statutory exclusions, there are some "unstated exclusions or administrative exceptions or judicial exemptions that allow some income to go unstated."[17] Child care clearly does not qualify for one of the most straight-forward of these informal exceptions, i.e., it is not a non-cash benefit of nominal value, such as a Christmas turkey or ham.[18] It has, however, been suggested that employer-supported child care services might be excluded on one or more other theories, possibly that a child care benefit is actually provided for the "convenience of the employer" in that it permits employment and facilitates the employee's productivity.[19]

Unfortunately for tax planners, to date there is no clear answer to the question of the taxation of the child care benefit. The Internal Revenue Service has not issued any rule or regulation on this point because Congress has prohibited it from setting any standards in the whole area of fringe benefits until May 31, 1981 at the earliest.[20] As a consequence there is no consistency in the tax treatment of fringe benefits; decisions are in the hands of individual field agents.

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[16] Medical and disability benefits: Internal Revenue Code §105(h); group legal service plans: Internal Revenue Code §120; educational assistance programs: Internal Revenue Code §127. See Caplin, Mortimer M., "Educational Assistance Programs: A New Fringe Benefit for 1979-1983," Taxes - The Tax Magazine, February, 1979, Vol. 57, No. 2, pp. 75-78. (Commerce Clearing House, Inc., Chicago, Illinois).

[17] Kragen, Adrian A., and McNulty, John K., Federal Income Taxation, Volume I: Taxation of Individuals, Third Edition 1979, p. 118 (West Publishing Company: St. Paul, Minnesota).

[18] Rev. Rul. 59-58, 1959-1 C.B. 17.

[19] Tax Incentives for Employer-Sponsored Day Care Programs, November 1980, pp. 20-21. (Commerce Clearing House, Inc., Chicago, Illinois).

[20] Ibid.

Congressman Barber B. Conable, Jr., (R.-N.Y.) has attempted to anticipate the Internal Revenue Service's position in H.R.8109, his 1980 bill expanding the child care tax credit (Internal Revenue Code Section 44A) from 20% to 35%.[21] In addition to the expansion of the credit, Section 7 of the bill provides that if the value of a child care benefit is included in the employee's income and taxed, the employee is eligible to take the child care tax credit on the entire amount included in income. Underlying this provision, of course, is the assumption that the IRS is likely to include the value of such services in income.

Closely related to the question of the taxability of the benefit are the questions of whether the employer is required to report the value of the benefit on the employee's W-2 Wage and Tax Statement and/or include the value of the service when submitting withholding tax.[22] Because different requirements may apply to each of these activities, and because of the current uncertainty surrounding the answers to these questions, an employer is advised to seek the advice of a tax attorney or accountant to avoid future problems.

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[21] Dependent Care Amendments Act of 1981, H.R.8109, introduced September 15, 1980. In addition, this bill includes provisions which would a) make the credit refundable; b) extend the credit to cover day care costs for dependent adults, e.g.s, elderly, handicapped; and c) make it easier for day care programs to obtain 501(c)(3) tax exempt status.

[22] _Tax Incentives for Employer-Sponsored Day Care Programs_, _supra_, p. 21.

B. CAFETERIA PLAN

Recently, a significant amount of interest has been focused on the Cafeteria Plan as a mechanism of delivering a variety of benefits to employees and permitting the employees to select the benefits appropriate to them. Few companies have actually implemented such a program, a major exception being the American Can Company in Greenwich, Connecticut where 9,000 salaried employees participate in a cafeteria plan.[23]

The Cafeteria Plan was enacted in 1978 as Internal Revenue Code Section 125.[24] It is a statutory plan under which employees may select from a menu of two or more benefits. The significant feature of the plan is that the benefits offered may include both taxable and non-taxable benefits without converting the non-taxable benefits into taxable benefits. Prior to the enactment of the Cafeteria Plan, if an employee were offered a choice that included both taxable and non-taxable benefits, the mere fact that the choice existed automatically converted the non-taxable benefits into taxable benefits. As a consequence, absent the Cafeteria Plan, the menu option is understandably unattractive to employees.

The current Cafeteria Plan requires, among other things, that employers prepare a written plan, and prohibits the benefits from being limited to highly compensated employees.

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[23] San Francisco Examiner, December 8, 1980, p. C-1.

[24] Bassey, Ronald D. "Cafeteria, Medical Reimbursement Plans: Terms Causing Problems As Deadlines Near." Journal of Taxation, December 1979. pp. 334-339.

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I would like to thank the following San Francisco attorneys for their kind help in the preparation of this material: John Curran Ladd and Evelyn Lewis of Steinhart, Falconer & Morgenstein; James E. Boddy, Jr., of Morrison & Foerster; James Miller and Dale Brodsky of the California Department of Fair Employment and Housing.

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a. Aikman, William, Day Care Legal Handbook: Legal Aspects of Organizing Operating Day Care Programs. ERIC Clearinghouse on Early Childhood Education. Urbana, Illinois, 1977 ($4.00 from ERIC/ECE, University of Illinois, 805 W. Pennsylvania Ave., Urbana, IL 60801).

b. Friedman, Dana F., ed., Community Solutions for Child Care. Women's Bureau, U.S. Department of Labor, Washington, D.C., 1979 (single copy available free from Women's Bureau, U.S. Department of Labor, 200 Constitution Ave., Washington, D.C. 20210).

c. Perry, Kathryn Senn, Employers and Child Care: Establishing Services at the Workplace. Women's Bureau, U.S. Department of Labor, Washington, D.C. (Single copy available free from Women's Bureau, U.S. Department of Labor, 200 Constitution Ave., Washington, D.C. 20210.)

d. Roth, Randall W., "Amortization of Expenditures for Child Care Facilities" in Taxes - The Tax Magazine, Vol. 57, No. 2., pp. 133-136, February, 1979 (Commerce Clearinghouse, Inc., 4205 W. Peterson Ave., Chicago Il 60646).

e. Solomon, Deene Goodlaw and Pollack, Enid C., Summary of Federal and (California) State Tax Incentives Relating to Child Care. Bay Area Child Care Law Project, San Francisco, CA, 1980, 6 pages ($1.00 from Bay Area Child Care Law Project, 9 First St., Suite 803, San Francisco, CA 94105).

f. Treadwell, Lujuana Wolfe, The Family Day Care Provider's Legal Handbook. BANANAS, Inc., 6501 Telegraph Ave., Oakland, CA 94609, 175 pages (Available from BANANAS, Inc., for $6.00).

g. Tax Incentives for Employer-Sponsored Day Care Programs. Commerce Clearing House, Inc., Chicago, Illinois 1980. (Available for $2.00 from Commerce Clearing House, Inc., 4025 West Peterson Avenue, Chicago, Illinois 60646).

TAX INCENTIVES FOR CORPORATE CHILD CARE

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Contra Costa Children's Council

Concerns regarding the implementation of child care programs and other human services to benefit the growing number of parents returning to the work force have reached major proportions. One of the areas seen to be of particular interest to parents, service providers, and a growing number of corporations are the tax benefits, which might be available to the corporations in exchange for their involvement in or provision of child care services to their employees. Research in this area has been limited at best. Therefore, information regarding tax benefits and incentives should be checked with a reputable tax attorney (preferably one who has had experience with non-profit corporations). Since the field continues to shift, and new Revenue Rulings from the Internal Revenue Service are handed down on a reasonably regular basis, the "state of the art" is one which is fluid rather than static.

The benefits which might accrue to either corporate or institutional providers of child care fall generally within three major categories:

1. Benefits available to corporations as "ordinary and necessary business expenses";
2. Benefits available to corporations for depreciation of property provided for child care purposes; and,
3. Methods by which maximum charitable contributions can be provided by corporations to non-profit agencies.

BENEFITS AVAILABLE TO CORPORATIONS AS "ORDINARY AND NECESSARY BUSINESS EXPENSES"

Under Section 162 of Internal Revenue Service Code, employers may be able to deduct the cost of employer-provided child care as an "ordinary and necessary business expense in certain cases." A Revenue Ruling of 1973 has held that expenditures to provide child care for employees are deductible as business expenses when they are of direct benefit to the employer by reducing turnover and absenteeism.[1] While this ruling may establish a beginning point, the decision does not constitute incontrovertible evidence that the Internal Revenue Service has established this type of child care deduction as a clear national precedent. Subsequent legislation may be necessary to clarify governmental intent to continue or broaden this area.

RAPID AMORTIZATION OF FACILITIES FOR CHILD CARE

Generally, an employer can amortize expenditures to buy, build, rebuild, or rehabilitate tangible property qualifying as a child care facility and serving the employees of the corporate taxpayer over a five-year period rather than over "the useful life of the property" (generally between 20 and 30 years). While this incentive to the employers may seem attractive at first blush, the employer who chooses this method of depreciation would not be able to take an investment tax credit for the same property. Also, there may be certain additional taxes under Section 56 of the Internal Revenue Code if this method is chosen. The legislature saw Section 188, Accelerated Depreciation, as providing an alternative choice to employers for methods of deduction rather than a substantially increased tax benefit.

a. Section 188(a) permits an employer, who so elects, to amortize expenditures to "acquire, construct, reconstruct or rehabilitate Section 188 property over a 60-month period," beginning with the date upon which the property is placed in service. This deduction is not otherwise allowable for such expenditure.

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[1] Revenue Ruling of 1973 73-384 C. B. 31.

b. Section 188(b) defines "Section 188 property" as tangible property which qualifies as a child care facility primarily for the children of employees of the taxpayer. The applicable Treasury regulations provide that the facility is primarily for the children of employees if, in any given month, at least 80% of the attending children are children of employees.[2] The property must also be subject to depreciation and be located in the United States to qualify as Section 188 property.[3]

c. Section 188 applies only to expenditures made between December 31, 1971 and January 1, 1982 -- Section 188(c). Congress extended the termination date of Section 188 from 1977 to 1980.[4] The factors considered by Congress in extending the provision were the continued need for child care facilities, the economic climate, and the work-force participation by mothers.[5]

CHARITABLE CONTRIBUTIONS UNDER SECTION 170

Expenses may be deducted by businesses or corporations which are made to charitable organizations under Section 170 of the Internal Revenue Code. Up to 5% of the gross taxable income of the employer may be deducted for purposes of charitable contributions.

Nationally, according to 1978 figures, corporations were donating approximately 1% on the average for charitable purposes (out of the possible 5% for charitable purposes).

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[2] Treas. Reg. S 1.88-1(d) (4) (1979).

[3] Ibid.

[4] Tax Reduction and Simplification Act of 1977, Pub. L. No. 95-30, Section 402.

[5] S. Rep. No. 95-66, 95th Cong., 1st Sess. 95, 1977-1 C. B. 500.

a. Section 170(a) (1)

General deduction of any charitable contributions (defined in sub-section c), allowable if made during taxable year.

b. Section 170(b) (E) (2)

Corporations' total deductions for charitable purposes for any taxable year shall not exceed 5% of the corporation's taxpayers' taxable income, and without regard to Part VIII (except sub-section 248), or any net operating loss carryback to the taxable year under Section 172. (Of note is that prior to amendments made by PL 91-122, Section 20 (a) (2), there existed one more Section, PL 91-122, Section 201 (a) (2) (d), which allowed Western Hemisphere Trade Corporations to also deduct amounts over the 5% maximum by one of two possible methods which allowed for spreading the excess over a five-year period.)

c. Section 170(c)

Charitable contributions are defined as a contribution or gift to or for the use of states, or possessions of the U.S., if exclusively for public purposes. A corporate trust, community chest fund or foundation created in the U.S. or possessions operating for religious, educational, scientific, literary charities, for international sports, or for "prevention of cruelty to children or animals." No part of net earnings can go to indirect or private shareholders, and if not disqualified under Section 501 (c) (3), by attempting to influence legislation, which does not support specific candidates or legislation.

d. Section 170(e) (2)

If the full interest in the taxpayer's property is not contributed, the adjusted interest in such property will be allocated between the interest contributed and that interest not contributed.

e. Section 170(e) (3) (a)

This section is a special rule for certain contributors of inventory and property and further rules for partial donations.

f. Section 170(e) (3) (b)

Amount of reduction for qualified partial contribution shall be no greater than half the amount contributed as the amount of any charitable contribution or deduction.

g. Section 170(d)

Explains carryovers of excess contributions.[6] Also, see series of questions which relates to the need for clarification of implications of Section 170(d) which follows.

Issues to be resolved

Is the language of Section 170(d) as amended by PL 91-122 Section 20 1(A)2 restrictive upon the ability for corporate and business taxpayers to make charitable contributions in excess of the 5% limit?

Discussion

Sections 170(d)(A)i and 170(d)(A)ii seem to indicate a direction by the IRS which would restrict rather than encourage contributions in excess of the 5% limit.

Conclusion

A more definite explanation of the intent of the above section is necessary in order to gain a more precise picture of the possibility of business and corporate taxpayer giving by spreading the excess payments over a period of years.

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[6] PL 91-122; Section 20 1(A)2

Section 162 Versus Section 170

Deductions for child care of employees would almost invariably fall under Section 162 ("ordinary and necessary business expenses") rather than under Section 170 (general charitable contributions not benefiting the corporation itself). Revenue ruling from 1972-1974 have supported this assumption. However, two other avenues might be explored in order to seek maximum child care provision and corporate tax incentive.

a. If the use by employees falls well enough under 50% of the total usage of the center, then it is feasible that the child care service may be seen as providing a Section 170 community service and thus fall under the 5% guideline for deduction of general charitable contributions.

b. Certain percedents are being explored whereby the corporation may donate funds to a non-profit corporation established by employees of the corporate taxpayer. If the donations are shown to be for purposes which do not bear a direct relationship to the corporate taxpayer's businesses or are not made with an expectation of direct economic benefit for the corporation, then these contributions may be seen in Section 170 as charitable contributions.

OTHER CODE SECTIONS WHICH MAY BE OF HELP TO YOU

Provided for your information are listings of other major code sections, both Federal and State, which may be a benefit to either an employer or an employee.

a. Section 44(2) (A)

Defines employment-related expense as amounts paid for such expenses incurred to enable the taxpayer to be gainfully employed.

b. Section 44 A (d)

Sets dollar limits on amount of employment-related expense which can be incurred during any taxable year. The limit as of 1978 was $2,000 for one qualifying individual with respect to the taxpayer for the taxable year and $4,000 for two or more qualifying individuals.

c. Section 44 A (e)

Relates to earned income limitations for both single and married individuals and provides a special rule for spouses who are students or incapable of caring for themselves.

EMPLOYEE TAX LIABILITY

The value of child care to the employee might be included in her gross income as taxable. The IRS has not given clear guidelines in this area and has stated that the fringe benefit area is under careful scrutiny at this time.

WORK INCENTIVE CREDIT

If the child care provided by the employer actually increases its work force, it may be eligible for a work incentive credit under Section 50A. Before January 1, 1979, allowable credits equalled 20% of the work incentive program expenses. On and after January 1, 1979 expenses could be claimed for 50% of the first-year work incentive program expenses.

An employee may claim a work incentive credit for domestic help hired for child care but cannot also claim a child care credit under 44A in that case.[7]

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[7] Section 50A(a) (4) (B).

CALIFORNIA STATE CODE OF IMPORTANCE: REVENUE AND TAXATION CODE

Section 17072 defines adjusted gross income for California taxpayers and lists a series of deductions which may be taken by an employee.

Section 17202 indicates deductions based upon trade or business expenses, etc., and includes allowable deductions for "ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business" (which could include deductions for child care delivery systems).

Section 17208 allows for depreciation deductions as a reasonable allowance for the exhaustion, wear and tear (obsolescence of property used in the trade or business), and defines methods for deducting in these areas.

Section 17214 acts as companion section to Federal Internal Revenue Code on contributions of gifts to various non-profit agencies, etc.

Section 17214.2 explains contributions of interests in property less than the taxpayer's entire interest.

Section 17215.1 defines requirements for the carryover for excess contributions.

Section 17215 indicates that individuals, who provide contributions or gifts, should be allowed to deduct up to 20% of the taxpayer's adjusted gross income, if deductions are verified under rules and regulations as prescribed by the Franchise Tax Board.

Section 17216 indicates a procedure for exemption from the 20% limit of gifts or contributions.

Section 17225.5 -- depreciation for employers establishing child development centers. Indicates intent of legislature that child development services be established in convenient locations for eligible families, who are employed, to be employed, or enrolled in employment training programs. The section further allows that establishing facilities pursuant to Education Code sections may compute depreciation deductions of such facilities under the straight line method using a useful life of 60 months.

Business and Corporations Code

Section 24371.5 -- a Bank and Corporation Tax Law Code provides depreciation deduction for employers establishing child care facilities (companion section to Revenue and Tax Code 17225.5).

It is hoped that this information will be of use to those who strive to provide the maximum in quality and quantity of positive, nurturing child development programs. Since this material is in a constant state of flux, please call or write Kenneth J. Jaffe at (415) 676-KIDS, 2253 Concord Blvd., Concord, CA 94520 for further updates.

FUNDING SOURCES FOR CHILD CARE

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Any employer contemplating the provision of child care for its employees should consider all possible sources of funding for such services. The major categories of child care funding include:

- Local government
- Community funding sources
- Parent fees
- State and federal governments
- Private resources

While some of these sources have the capability of supporting a child care program independently, prudence urges that a program be built on a combination of two or more of them to ensure a stable funding base. For instance, regardless of the other funding sources used, parent fees, usually assessed on a sliding scale based on income, should be part of the funding base of any child care program. On the other hand, a program based entirely on parent fees effectively limits its clientele to those whose incomes are relatively high.

The first step in identifying the necessary funding for a child care program is to identify its anticipated costs. These costs may vary based on the delivery system selected by the employer/sponsor. However, due to the fact that 80 to 90 percent of the costs of any child care program are associated with staff and the fact that staff cannot be hired and laid off on a daily basis, it is most important that costs be identified on at least a monthly basis or, most appropriately, on an annual basis. Depending upon a wide variety of factors, costs may range from about $2,000 to $6,000 or more per full-time equivalent child per year with the majority of existing programs being able to operate effectively with costs from $3,000 to $4,000. Because of the heavy emphasis on staff-related expenditures, costs will vary most significantly in relation to staff-child ratios and staff compensation, the latter usually varying with the preparation and experience of the staff employed.

In view of these factors, following are some of the key considerations with regard to each of the possible funding sources available to employers contemplating the sponsorship of child care for their employees.

Local Governments

New child care services are a clear and measurable contribution to the betterment of any community. Therefore, local governments should be willing to do all they can to support such efforts. However, local government funds are produced by taxes and, in recent years, the trend has been to reduce taxes. Therefore, local governments should be approached by employers for non-financial support of their child care efforts (e.g., zoning accommodations or operational incentives); but any thought of funding support, particularly ongoing funding support, is probably unrealistic except in the most forward-looking areas.

Community Funding Sources

Such community organizations as the United Way and certain foundations have well-established histories of providing funding for child care programs. For the most part, these organizations prefer to use their funds as seed money to encourage the establishment of new programs and, occasionally, to partially supplement other funding sources on an ongoing basis. However, such organizations, too, have had to reorder their priorities in recent years due to cutbacks in local government funding of many community programs. While community funding sources might be approached by employers for some initial assistance in establishing child care programs, they should not be considered a major, ongoing source of funds.

Parent Fees

Parent fees should be a part of the funding base of any child care program. However, they should not be considered for full, or even major, program support if any families with annual incomes of less than $17,000 - $18,000 are to be served. Parent fees should be assessed on a sliding scale based on income and family size; and this scale should be established on the basis of the families' ability to pay rather than on the basis of an attempt to recover a given percentage of program cost. Once the scale has been established, probable parent fee revenue should be projected and other sources found to support the remaining cost of operating the program.

State and Federal Governments

Both the state and federal governments recognize the need for and fund child care programs to support the efforts of parents to become trained for employment, to become employed, and to remain employed. In California, funding of such programs is something in excess of $200 million a year. While it would appear that such funding should fit in well with an employer's plan to sponsor child care for his/her employees, it must be noted that these funds are targeted toward families receiving welfare and those with extremely low incomes. Therefore, an employer wishing to make child care available to all her/his employees must avoid limiting its support to state/federal funds and think, instead, of perhaps pursuing such funds for only a part of the program. Further, since the state government is heavily involved in regulating child care programs (both those using public funds and those not using them), employers would do well to study these regulations (both those tied to public funds and those pertaining to all funds). Employers should also become involved with government in encouraging action at the state level that would foster more employer-sponsored child care in California.

Private Resources

Of course, the most directly controllable and easily manageable source of funding for an employer-sponsored child care program is the company's own resources. Full reliance on such funds with supplementation, perhaps, by parent fees would result in a program that would be subject to the least possible outside regulation and, therefore, could be developed and manipulated most easily to meet the needs of the employer and employees. However, as noted above, a good child care program is not inexpensive; so, the employer must carefully weigh the potential return to determine whether or not the investment is justified.

In conclusion, it is appropriate for any employer considering becoming involved in employer-sponsored child care to explore all possible sources of funds to support the effort. It is most important, however, that such exploration be adequately thorough to allow all options to be fully and clearly considered; no funding source should provide any "surprises" to the employer once he/she decides to use it. And lastly, no child care program should be totally dependent on any one funding source. All appropriate sources should be exploited and combined in such a way that changes in, or even termination of, any one source would not threaten the continued existence of the program.

Company Child Care Options

THE CENTER MODEL

by

Sandy Burud

Creative Partnerships for Child Care

THE CENTER MODEL

Sandy Burud

The Center Model is care on a large scale for children in a child care facility located at or near the plant site. In this model there are several options available:

A. Management

There are options about who will manage the center. It can be managed by the sponsoring agency, by a cooperative group of several sponsoring agencies, by an independent contractor, or by a non-profit organization run perhaps by parents.

B. Costs

There are options about the extent and the manner in which the sponsoring agency will be involved in start-up costs and operating costs.

C. Location

There are options about location. A center can be on, near, or away from the work site.

FUNCTIONAL COMPONENTS OF A CENTER

Components of a child care center program are the following: a variety of play and learning experiences, adequate supervision, a safe environment, napping facilities, provision for meals and snacks, a program of discipline, a policy regarding sick children, and any special features such as 24-hour care, infant care, after school care, or care for special-needs children.

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CRITERION FOR ESTABLISHING A CENTER

In a decision about which model of child care is best for a company, several factors should be considered, the most important being need. The 1975 Santa Clara County Special Census showed that there are 200,000 children under age 10. With over 50% of the women in the work force, there are approximately 100,000 children under 10 who need child care. But, there are only 29,000 licensed child care places available in the county, leaving 71,000 (over twice as many) in unlicensed child care situations. Many of those parents would prefer to have their child in a licensed situation. An April 1978 Family Circle survey showed that 60% of the parents with children in unlicensed care would prefer licensed care if it were available. There is a critical need for more child care. The opening up of more child care centers would help fill the gap.

BENEFITS TO EMPLOYERS

There are benefits to employers who provide child care. Recruitment of new employees is significantly improved. In a 1978 survey of all employer-related child care in the United States by Kathryn Senn Perry, 76% of the employers said that their child care center significantly improved their recruitment capabilities. It is for this reason that hospitals are the single largest industry to operate child care for their employees. They have a chronic nursing shortage, and child care centers are successful in attracting and retaining employees.

Absenteeism is reduced. The Northside Children's Center, a cooperative center in Minneapolis sponsored by several different businesses, including Control Data Corporation, has found a 21.4% reduction in absenteeism among employees with children at the center. Last minute absenteeism, which is especially costly, is reduced.

Turnover is reduced; this provides the greatest financial benefit to employers because of the additional savings in training, recruitment, and production lag time. In a 1979 survey of employees of Methodist Hospital in Arcadia, California, 95% of the employees, who had children in the child care center were reported to have stayed longer at their jobs because of the child care center. The average length of time they were reported to stay longer was 2.7 years! Northside Children's Center reported their turnover for parents with children in the center was 1/3 that of other employees.

With an on-site center, affirmative action standards can be met. Those who could not work because child care was not available or affordable will be able to take jobs.

Productivity is increased. Children are a top priority to parents. When they feel their child is well-cared-for, parents can give full attention to their job, without distraction. When employers help with such a basic need as child care, the employees feel supported, and their morale is increased. Seventy-nine percent (79%) of parents in the Methodist Hospital survey felt that their job performance was positively affected by the availability of child care.

In the Center Model, there is an important benefit to the company. The sponsoring agency can control the center to meet its own needs. Hours and days of service can be set according to work shifts. Overtime and varied work shifts can be covered. The difficulty of staffing these shifts can be reduced. Also, quality control is insured.

There are tax benefits for both establishing and operating a child care center. Tax benefits fall into three general categories:

1. The cost of operating a center is usually deductible as an ordinary and necessary business expense.
2. Some expenses that do not qualify as a business expense are deductible as a charitable contribution.
3. Capital investments in building, remodeling or furnishing a child care facility are deductible at an accelerated rate over a five-year period instead of over the useful life of the facility.

There are advantages to families of the Center Model. Most importantly, family ties are strengthened because the pattern of isolation of working parents from their children is broken. The close proximity of the Center to the workplace and the cooperative arrangement with employers makes the child more accessible to the parent in case of emergency or illness. Lunch hours can be spent together. Parents have access to educators for advice about parenting. Any financial support from the employer helps relieve the burden of the high cost of child care on the parent.

POTENTIAL PROBLEMS

There are some potential problems with the Center Model which need to be considered in deciding between child care options.

1. The cost of opening and operating a center is higher than that of the other models because some of them do not involve building a center, but involve only operating costs or subsidies.
2. There is a risk of underutilization of the facility. However, a study done on underutilized employer-supported child care facilities revealed that those centers, which had closed, had much less indoor and outdoor space and less staff. This information leads one to

speculate that underutilization may have been due to a dissatisfaction with quality rather than a lack of need. A possible solution to underutilization could be to take in community children as well as employees' children during periods of low enrollment. When a center is first opened, it should be understood that many potential family enrollees will wait until the center is established before enrolling their child. They will want to observe and evaluate the center's quality first. If the quality of child care is good, the center will probably have no trouble maintaining full enrollment.

3. Space, or lack of it, may be a potential problem for the Center Model. It is possible to locate the center off the business grounds to solve such a problem.

OTHER DECISIONS

If the Center Model is chosen as the most suitable model for a business, some other decisions need to be made.

Before a center can be opened, many fundamental things must be done: needs assessment, feasibility study, decision about the model, proposal writing, facility development or renovation, purchasing of equipment and supplies, program establishment, printing, recruitment of families, publicity, hiring of staff.

A decision about who will be eligible needs to be made. Will only employees' children be served, or will the center also admit community children?

The ages of children to be served needs to be decided. Licensing and staffing requirements differ according to the ages of children served. It may be necessary to define categories of children according to those used by licensing regulations: 0 to 2 years, 2 to 6 years, and 6 years old and older.

The center size needs to be decided. The center needs to be large enough to be economically feasible but small enough to allow individual attention to families. At least one year of operation should be allowed to pass before full enrollment is expected because of the need to establish credibility. Expansion possibilities should be considered in the initial plans as well.

The hours of operation need to be set. Enough time needs to be allowed for the parent to leisurely drop off the child, spending at least 15 minutes at the center, before having to be at work. Also, it should be decided if the center should be open for 24 hours a day.

A decision needs to be made about who will supervise the establishment of the center. There are basically three options:

1. A person within the company can set up the center.
2. A person can be hired to set up the center and then stay on as director when it opens.
3. Someone can be hired to supervise the initial establishment of the center and the hiring of staff. A new person would direct the center after it opens.

If a person within the company establishes the center, it should definitely be done in consultation with a child care consultant. Regarding the other two options, the knowledge and skills needed to open a center are not the same as those needed to manage the day-to-day operation of a center. If one person is hired to both establish and run the center, and the person lacks experience in setting up a center, a child care consultant should be hired as well.

The relationship to the sponsoring agency needs to be decided upon: the center can be run directly as a department of the agency; an outside contractor can run the center; or, the center can be set up as a non-profit corporation. Whichever option is chosen, legal responsibilities need to be defined and administrative authority designated. Different procedures need to be followed and different forms submitted depending on whether the center is run by an organization, a partnership, or an individual licensee. Information about this is available through the State Department of Social Services.

HOW TO OPEN A CENTER

There are many agencies with requirements that must be met. Requirements vary from area to area. In some areas the local requirements are more stringent than the state requirements. In other areas, it's just the opposite. The following are the agencies which must be contacted:

1. The Department of Social Services for the State of California

   Any child care center must be licensed through this agency. Even if the sponsoring agency is licensed to operate in another capacity, a separate license must be obtained to operate a child care facility. Occasionally work-site centers are exempted from being licensed, but only at the discretion of the individual licensing agent. Detailed information on licensing is given monthly at local Department of Social Services orientation meetings. Written regulations can be obtained by ordering Title 22 of the California Administrative Code from the Department of Social Services, Community Care Licensing Division, 744 P Street, Mail Station 19-50, Sacramento, California 95815.

   Licensing regulations include staffing requirements, building and outdoor space requirements, and kitchen and toileting requirements.

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2. The Building and Safety Office

3. The City Planning Office

   This office deals with zoning. Generally, industrial and commercial areas are zoned for child care facilities, but a use permit is needed for residential areas.

4. Local Fire Department

   Fire regulations apply to the number of children, fire alarms and evacuation plans, fire clearances, exiting, fire retardant roofing and furnishing, locks, and cooking facilities. Some fire departments require a certificate of occupancy before applying for a fire clearance, others do it in reverse.

5. County Health Department

   A County Health Permit must be obtained. Health regulations involve heating, water facilities, and cooking facilities.

STAFFING

The needed staff includes a director, teachers, teacher aides, and any auxiliary staff needed for maintenance, housekeeping, meal preparation, and bookkeeping, unless these are done through the sponsoring organization. Minimum staffing requirements are listed in the State Department of Social Services regulations. However, more staff per child than is required by the state is needed to have a quality program.

Suggested teacher:child ratios are:[*]

Birth - 2 year olds	1:3
2 and 3 year olds	1:6
4 and 5 year olds	1:9
6 years and older	1:12

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[*] State required teacher:child ratios are: birth - 2 years old, 1:4; 2 and 3 year olds, 1:12; 4 and 5 year olds, 1:12; 6 years and older, 1:15.

Paid staff can be supplemented with volunteers, students from local high schools and colleges who receive class credit, and in some areas CETA workers.

Hiring of the staff should be done in consultation with an Early Childhood Education professional. The personal characteristics of the teachers are as important as their experience and education. Staff needs to be selected carefully to be sure they have compatible teaching philosophies, can work cohesively and relate well to families.

Salaries vary widely in the field. It is important to the quality of the center that a stable staff is maintained. It is important that staff be paid a salary commensurate with the amount of education and experience. It is doubly important for staff to be paid for the large amount of responsibility they shoulder for the health, safety, and personality development of children in their most formative years.

COST

I. Initial Start-Up Cost:

Equipment (for a capacity of 24 children)	$10,000
Building (35 sq. ft. per child required)	$50-$60/sq. ft. new $24-$45/sq. ft. renovated
Land (35 sq. ft. per child required, plus 30% additional for service areas indoors, 75 sq. ft. per child required outdoors)	$2.50-$5.00/sq. ft.

Staff time and salary for person supervising center establishment

II. Operating Cost:

Because child care is a labor-intensive business, operating cost varies depending on the teacher-child ratio. Eighty percent (80%) of the operating cost goes to salaries. Operating cost for a child care center with a teacher-child ratio of 1:6 was $10.00 per day in 1980. A hot lunch costs an extra $1.00 per day.

A sponsoring agency can subsidize both start-up costs and operating costs to whatever extent it chooses. Start-up costs can be entirely retrieved by putting start-up funds in the form of a low- or no-interest loan. However, tax benefits can make it more beneficial to a business to subsidize start-up as well as operating costs.

An operating cost subsidy of 15%-50% is substantial enough to significantly assist parents with child care costs. This subsidy would amount to $1.50-$5.00 per day per child, a total of $375-$1250 per child per year.

III. Insurance:

Liability insurance is needed. It can sometimes be added to existing insurance coverage with no additional cost. If there is additional cost, rates vary from approximately 10 to 15 cents per square foot of building space. Workers compensation insurance for the staff and property insurance are also required.

IV. Return on Investment:

The following factors should be considered regarding return on investment: tax advantages, increased recruitment capability, reduced turnover and therefore reduced recruitment needs and cost, reduced productivity lag time, reduced tardiness and absenteeism, improved employee productivity and morale, and improved public relations.

SUMMARY

The Center Model should be considered among the many child care options as an attractive business tool to achieve increased personnel effectiveness. The expenditures are retrieved in both intangible and tangible terms.

CENTER-BASED CARE: THE INFANT/TODDLER PROGRAM

Mary Jane McGuire
Continuing Development, Incorporated

In the field of Child Development, infant/toddler care is generally seen as a specialized form of child care. Whereas most children's centers serve children who are two or three years of age and older, an infant/toddler center is designed to meet the special needs of children in the first or second years of life.

In planning an infant/toddler center, it is important to recognize the larger role that the staff must play in carrying out the physical care routines with the children. Whereas a three- to five-year-old child is able to eat, dress, and toilet independently, an infant, and somewhat less so, a toddler, is not yet independent of adult aid.

UNIQUENESS OF AN INFANT/TODDLER CENTER

I would like you to join me on an imaginary tour of an infant/toddler center. As you enter, you find yourself standing in a living room. You notice a comfortable sofa, with a few rocking chairs nearby. In the corner is a low stairway leading to a small platform from which extends a gradual slide. To your side is a wood rocking boat large enough to accommodate several toddlers. You see baskets brimming with small, soft toys as well as a collection of simple household items. As you walk further into the room, you encounter balls of all sizes, a variety of containers to fill and empty, toys with parts that can be moved in various ways, small mirrors, large mirrors on the walls, and colored photographs placed on the wall just a few inches up from the floor. But what most attracts your attention are the babies -- babies not yet crawling, crawlers, and toddlers, all exploring independently this room full of toys and enchanting everyday objects.

As you walk from the play area into the kitchen and then into the sleeping area, you begin to feel how the environment of a group care facility for infants reflects that of a family home. It is unique, however, in the detail with which it has catered to the exploratory interests of the infant and toddler. You have entered an infant's world, where the play space is designed so that every item accessible to the babies is safe and available for exploration.

As the family home is modeled in designing the facility, so is the family unit modeled in staffing the program. The adult staff, sometimes referred to as "caregivers," are assigned no more than four babies each. Each caregiver assumes complete care for her four assigned children while they are at the center. She is able to follow closely the development of each child and to share experiences with the parents.

SOME SPECIFIC FEATURES OF AN INFANT/TODDLER CENTER

With infants and toddlers, the daily routines of eating, sleeping, and toileting become much more diversified than their counterparts in a center for older children. With infants younger than seven months, formula is prepared in sterile bottles. If the center is near or on the worksite and if the mother's break schedule allows her to visit the center for feedings, breastfed babies may continue on a diet of their mother's milk. Infants, four to six months old, begin with pureed foods and then progress to small-particle table foods. Although the staff may choose to purchase ready-made pureed foods, both pureed and table foods can be easily prepared at the center. Thus, an infant center should be equipped with a refrigerator, at least a two-burner stove, a dishwasher or other means for sterilizing bottles and utensils, a sink for use in food preparation and clean-up, and convenient and safe storage space.

Toileting is another routine which requires distinct considerations for children of different ages. For the diapering of children who are not yet toilet-trained, a sufficient number of changing tables must be available. Each changing area should be adjacent to a sink used only for changing or bathing babies. The center may use cloth diapers provided by a diaper service or disposable diapers purchased by the infant center or brought in by the parents. For every 14 children who are toilet-trained, a small toilet is required. A washer and dryer should be provided on-site or near the center for laundering of sheets, blankets, bibs, and towels.

The variable sleeping patterns of infants and toddlers require the provision of separate sleeping areas. For the youngest babies, who do spend much of their day sleeping, a crib is an appropriate item. However, infants and toddlers, who nap only once or twice a day and spend most of their day alert and exploring, may not require cribs. Since space is usually at a premium in a children's center and since cribs take up much valuable floor space which could otherwise be used for play space, a convenient alternative to cribs are small foam mats which are placed on the floor in the sleeping area when the children tire.

COSTS

Start-up costs for an infant/toddler center are comparable to those of a children's center. Estimated costs run between $200 and $300 per child. The costs of operating an infant/toddler center are approximately 50% higher than the operating costs for a children's center of comparable capacity. All state licensing agencies require staffing on a ratio of one adult for every four infants, as opposed to a ratio of one adult for every six to twelve children in a children's center. In a private infant/toddler center, parents can expect to pay about $60 per week for full-time care of their child until he reaches 2.5

years of age and enters a children's center.

BENEFITS

Where, then, do the benefits lie in providing the services of a more costly infant/toddler center? For those parents who have children in the infant/toddler stage, finding competent, stable, convenient, and low-cost care for their infant is all too frequently enough of a burden to keep one parent out of the work force entirely for three or more years. When an employer is able to provide a solution to the dilemma of "Who shall care for our baby?" the company's job openings become more attractive to prospective parents, costs to the employer for retraining employees on maternity or paternity leave are reduced, and absenteeism among workers with infants and toddlers lowers. As parents feel secure in knowing they have reliable care for their infants, employers benefit from a more stable and reliable work force.

24-HOUR CHILD CARE PROGRAMS

Judy Edgell
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With so many parents in the work force today, more children than ever before are being taken care of outside the home. If child care were available on a 24-hour basis, parents would have the option of working in the evenings or at night and spending more time with their children during the day. This alternative would help parents who need to work but want to spend as much time as possible with their children.

Is the idea of a 24-hour child care center desirable? It has been the case that, if children are not at home sleeping in their own beds each night, the child-rearing intentions of their parents and the child's sense of family belonging are challenged. We need to get beyond these old notions. It should be recognized that, for many families, 24-hour child care programs might be the best way to combine the efforts of raising children and remaining employed.

SPECIAL FEATURES OF A 24-HOUR PROGRAM

For families to feel comfortable about choosing the option of working at night, both parents and children must feel good about the program, facility, and staff. Evenings are a tender time for children. Thus, the evening program at a 24-hour child care center should be geared toward providing a homelike experience with normal life routines that are consistent and predictable. Activities should be quiet and relaxing, emphasizing individual trusting relationships between the teachers and the children. Children should feel secure and cared for.

In planning an evening program it is important to de-emphasize any stigma that children and their peers might attach to spending evenings at a child care center rather than at home. One approach to this is to involve children in self-help activities such as participating in the daily tasks of setting the table, making nighttime snacks, making their own beds, etc. Another way is to create family groupings by mixing the age groups of the children attending at night, by having the older children help the younger children, by allowing siblings to sleep near each other and by providing sibling experiences for those without brothers and sisters. The major emphasis, however, should always be on the natural, free flow of cooperative experiences and activities in family-like mixed-age groupings.

LOCATION AND SET-UP

For nighttime employment to be a feasible alternative for families, full overnight care should be available so that the sleep of both children and parents is not interrupted. Therefore, the child care center should be located near a public school or the logistics of school busing be arranged in advance so the school-aged children can get to school each day. In addition, the location must be both safe and convenient to parents and have a well-lit parking area adjacent to the building.

The indoor environment of a 24-hour child care center has some specific requirements. The indoor areas should be flexible enough to meet the needs of nighttime care, to be able to be converted into cozy, homelike environments where children can sleep at night and feel comfortable. Large spacious areas should be broken down into private or small group sleeping areas that negate an institutional feeling.

There is a need to have bathing and/or showering facilities, particularly when children are spending the entire night and going directly to school from the child care center. Also necessary are private dressing areas for children to use when getting ready for bed or school.

STAFFING

The nature of a 24-hour child care center is complex. Assuming that one person cannot adequately supervise all programs and all staff on a 24-hour basis, there is need for shared administrative responsibilities. An administrative team approach, with one director and one assistant director for the entire center and shift supervisors for each shift, delegates responsibilities and improves communication between staff and administration.

Communication and consistency between staff on different shifts can be a problem when a child care center never closes. However, with regularly scheduled classroom meetings, these difficulties can be diffused. And, as with other child care centers, consistency is a key word in quality child care. For this reason, teachers and aides should work permanent rather than rotating shifts.

REGULATIONS

Licensing for a 24-hour child care center can be confusing. According to the California Department of Social Services, licensing for a 24-hour child care center follows the same guidelines as any other day care facility. Although care is available 24 hours, each child is in attendance at the center for only eight to ten hours per day. Therefore, the child care program is considered a day program rather than a residential facility. Local fire and planning departments may have more specific regulations and should be consulted in advance.

SUMMARY

A 24-hour child care program has some interesting differences when compared to a regular day care center, and, as such, requires a great deal of organization and planning. However, if the model described here meets the needs of company employees, it should be given high consideration. It provides consistent child care for employees who work unusual shifts -- evenings, weekends, or night hours.

CHILD CARE INFORMATION AND REFERRAL SERVICES AND EMPLOYER-SUPPORTED CHILD CARE: OPTIONS

Patricia Siegel
**Northern California Resource
and Referral Network**

Child care information and referral services have national roots in California, and exciting potential for employers exploring their options in developing and providing child care assistance. Briefly summarized, California's history in the provision of child care information and referral services dates back to the early 1970's when several groups, including BANANAS in Berkeley, the Childcare Information Service in Pasadena, and the Childcare Switchboard in San Francisco, established services through a combination of parent volunteer efforts and support from local private foundations.

In 1975, the Ford Foundation sponsored a small conference at Bank Street College which brought together for the first time about fifteen agencies from across the country, who were pioneers in the provision of child care information and referral services, including those mentioned above. Following the conference, the Ford Foundation made grants to the Childcare Switchboard in San Francisco and to the Child Care Resource Center in Cambridge, Massachusetts.

In 1976, California's Governor, Jerry Brown, instituted a ten million dollar "Alternative Child Care Program" aimed at maximizing parental choice in child care and exploring "cost-effective" methods of delivering service. Legislation leading to this program, AB 3059, included a section for Child Care Resource and Referral Services and a 1 million dollar appropriation, which has now grown to over 4.5 million dollars for the fiscal year 1979-80. There are

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[*] Editors Note: In addition to the options discussed in the preceding paper, this paper discusses further options that may be needed.

now more than 40 agencies statewide receiving state funds for child care resource and referral services. Interestingly, there are no eligibility criteria for the parents to use this service. (Other components of the Alternative Child Care Program included Vendor-Voucher funding, expansion of Family Day Care Satellite Systems, and funding for Child Care Centers which could demonstrate cost-effective delivery.)

THE CORE OF SERVICE

The core service of all child care information and referral programs is to help parents find child care which meets their personal and economic needs. The hunt-and-peck method of finding child care through the yellow pages or want-ads costs parents and their children time, energy, and often difficult adjustment. Parents want and need to understand the various child care options available for their child, usually including in-home care, family day care, and center-based care. The program type they prefer will depend on the age of their child, and their community.

By developing and maintaining an updated file of child care programs, child care information and referral services can help direct parents to programs which are convenient for them and which hopefully will provide a good match for their child.

Developing a child care referral file involves more than collecting names and phone numbers. Parents want to know about the facility, the program, the fees, and about details like meals, nap-time, how allergies are handled, etc. Many child care information and referral agencies visit the programs they refer to and gather this information first hand. Others rely on telephone interviews or written questionnaires to gather the information necessary to make a thorough referral.

The role of the child care information and referral counselor or service is not to place children in specific programs, but rather to help the parent fully understand their child care options, and how to proceed in making their choice. It would be inappropriate for a counselor to make a choice for the parents because it could potentially create liability problems if the "recommendation" does not work out.

DIVERSITY OF SERVICE

Most child care information and referral services provide parents written suggestions in pamphlet form on what to look for when selecting a child care center, family day care home, or baby sitter in addition to phone or drop-in counseling on the same topic.

In addition to this primary "connecting" role, child care information and referral programs can and do provide a wide range of parent education services, and assistance and support services to existing and potential providers of care. Parent education services can range from toy-making workshops and toy-lending libraries to single parent support groups. Technical assistance to providers can mean help in understanding local and state licensing codes, developing workshops for family day care providers, or convening a forum-exchange for program directors.

Individual information and referral programs develop and tailor their particular services and style to meet the needs of their community. Carefully documenting the requests they receive for child care services is a universally important component of all information and referral programs. Very often, policy makers do not understand the specific child care needs of a community. One-shot needs assessments only provide a time-fixed perspective on child care needs. The on-going documentation of child care requests, made possible through the information and referral process, provides a perspective on need which is continuous. In California, through a voluntary network of information and referral agencies, the same data on child care requests is gathered by all agencies and compiled into quarterly reports which provide a unique and valuable portrait of statewide child care needs and trends.

BUDGET, STAFF AND FACILITY

The staff, facility, and budget for developing an information and referral program depend on the size and nature of the community to be served. Most state-funded information and referral programs in California operate on budgets ranging from $30,000 - $100,000 to serve one county or a portion of one county. Salary range for individual information and referral counselors is between $10,000 - $13,000 per year. Qualifications usually include parenting experience and knowledge of diverse child care program types and/or special training in early childhood education. Child care information and referral counselors need to be good listeners and to possess good communication skills which allow them to work effectively with diverse parents and unique problems.

The facility for information and referral services can be one small room, a large office, or a suite of offices depending on the size and scope of the program. However, privacy for the parent, and a quiet, non-distracting environment for the counselor should be sought in all facilities regardless of the program's size. Although help in funding child care is the main thrust of child care information and referral programs, many information and referral counselors find that parents are anxious to share and explore problems they are having in other areas of their lives. Help in finding child care is often only the tip of the iceberg in a family's overall need for support.

Basic equipment for child care information and referral programs includes: phones, desk, reception chairs, files for holding child care resource information, bulletin boards for announcements, and at least a small library of books and periodicals related to child care and parenting. More extensive equipment might include a toy-lending library. Access to typing, duplicating, and printing facilities is essential for child care information and referral programs.

Child care information and referral services can be transferred into or developed within a business or industrial setting. They provide employers with an initial and basic form of child care assistance available to employees. Beyond this form of assistance they provide a method for looking at the child care needs of their employees over a period of time. If the employer is considering developing a more direct form of child care assistance, the child care information and referral program can serve as an invaluable tool for good, comprehensive planning. The expense and investment needed to establish information and referral services is not prohibitive and not likely to result in "loss."

USEFULNESS TO THE COMPANIES

In California, employers interested in establishing child care information and referral services should first find out if there is an existing program in their county. (A complete list is available from the Northern California Child Care Resource and Referral Network, 320 Judah Street, Suite 2, San Francisco, California 94122. They also maintain a resource bank on child care information and referral services and provide technical assistance and consultation to existing and developing child care information and referral programs on a limited basis.). If there is one, then several options are available:

1. The employer can contract with the existing information and referral agency to come on site at specified times and provide child care information and referral to the employer's employees. Although state-funded information and referral programs in California are funded to provide child care referrals to all parents regardless of their income, their funding levels and staffing patterns seldom, if ever, allow the time and staff necessary to establish a business or industry specific service.

2. The employer could contract with the existing information and referral agency to provide consultation and technical assistance to a company employee who would actually provide the child care information and referral services at the work site. This consultation/contract might include a provision for regular help in maintaining/updating the child care files. It seems unnecessary and also expensive for an employer-based information and referral service to reinvent a comprehensive provider file if a child care information and referral agency serving that area has already compiled one. The important issue in employer-supported child care information and referral is the increased access and employee convenience inherent in having the services at the work site. (Note: For employers whose employees are drawn from more than one county it would be important to establish contact and potentially contract with child care information and referral programs in each county where there is a substantial population of employees.)

3. The employer could decide not to provide on-site child care information and referral services, but to provide information on the availability of child care information and referral services to all parent employees. This direction might call for the existing child care information and referral agency to come to the work site and provide noon-time seminars on "Choosing Child Care," etc. This choice might include consideration of a corporate, tax

deductible, donation to the child care information and referral program.

If no established information and referral program exists in the area, then the employer may take steps toward establishing an information and referral program. This will involve a start-up research phase (from 1 to 4 months) necessary to establish good, accurate provider files and a thorough referral process.

RELATIONSHIP TO ANOTHER OPTION

Child care information and referral services are a necessary and attractive companion to a vendor-voucher form of child care assistance, which is described later in this book. In some cases, establishing information and referral services can be the first step in a more elaborate plan which eventually will involve some financial assistance through a vendor-voucher plan, or possibly the development of an on-site center, or network of family day care homes. In each of these examples, the establishment of the child care information and referral services will provide a sturdy, sound foundation for future development and evaluation of child care assistance.

AN EXAMPLE

National Semiconductor has a child care intern who is in the process of developing a child care information and referral program for employees who come to work from at least five different Bay Area counties. She has received some assistance from several state-funded information and referral programs, but she has worked very hard and very independently in her effort to launch this new employee service at National Semiconductor.

VENDOR/VOUCHER PROGRAMS

Vernon A. Plaskett

Continuing Development, Incorporated

1. INTRODUCTION

Vendor/voucher programs provide child care on an indirect basis. An administrative agency makes arrangements for care and pays for the care, but the children are cared for in any licensed home or center in the service area. This option offers the employee group maximum choice of all child care providers; care can be obtained close to home or close to work, home-style or center-style, and private or public. Employers may offer a variety of choices ranging from partial to full financial subsidies, thus assisting a larger parent group than could avail themselves of an on-site center of fixed capacity. Also, the cost to the company is based on services actually used by employees and is proportionate to current employment levels.

2. DEFINITION OF VENDOR/VOUCHER MODEL

In describing vendor/voucher program models it is worthwhile to discuss briefly some basic definitions. Such terms as vendor, vendor payment, voucher system, and vendor/voucher program are commonly used, but the distinction in these terms is not as important as some advocates may claim. A pure voucher system is like a ticket, a coupon, or some other piece of paper which allows a parent to go to any child care provider and to get exactly the services desired. The provider collects the ticket and sends it back to a funding source for payment.

A pure vendor program is somewhat different in that a funding agency may contract with a provider for a specific number of "slots." The program is usually identified with one or a very limited number of vendors. This means that the provider selection, from the parent's point of view, may be more limited with pure vendor programs than with pure voucher programs.

The vendor/voucher model described here has some of the characteristics of both, but it is basically defined as a system with certain components. Components include: 1) requirements for client (parent) eligibility; 2) definitions of provider eligibility; 3) a funding agency, and 4) a subsidy schedule which defines the sharing of cost between the funding agency and the parent. There is also an administrative system for collecting the money that is contributed by the sponsor and the parent and for effective provider reimbursement. Although vendor/voucher programs have these characteristics, it is not really all that critical how each one of the components is strictly defined. Basically, an effective vendor payment system doesn't unduly restrict the number of child care providers (vendors) and, therefore, you have relatively free parent choice, which is the key to the operation of this system. Another key is a sharing of financial responsibility. Whoever helps to offset the high cost of child care, whether it is the State of California, a county or a city, or hopefully an industrial firm, there is real sharing in that the sponsor pays part and the parent pays part.

3. HISTORY OF VENDOR/VOUCHER PROGRAMS

Vendor/voucher programs have not just developed in the last few weeks or months, or even the last couple of years. A voucher system was tried on a large scale in the Alum Rock School District in 1972. From 1972 to 1977, up to 7,000 children were attending elementary schools selected by the parents from all schools in the district. The program was restricted, obviously, in the sense that parents did not have their choice between private and public education; but it did test out the mechanism of allowing parent choice from

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among quite a few different elementary schools.

A second major test of the vendor payment type of system occurred in the Santa Clara County Pilot Study, which operated from 1974 to 1976. This was a fairly large-scale program, serving about two thousand families, and it had a research component aimed at obtaining hard data on its effectiveness. This program, sponsored by the State of California, did prove some interesting points. One of the common complaints about vendor payment systems is that, while it enables cost sharing with parent choice, it does not really create much-needed new child care capacity. Interestingly, the pilot study showed that there were 900 new licensed child care facilities in the first 15 months of operation of the program. Obviously, 900 homes did not open for the first time in that period. It seems that some decided to go into family day care when they heard that money was available, while others, who were already providing child care in their homes, became licensed in order to participate in this program. The vendor program thus supported the overall goal of getting the family day care homes licensed -- a critical goal in enlarging the official, publicly sanctioned capacity available for child care in the community. Another point: it is very important to combine resource and referral (R&R) services with the vendor payment mechanism. When R&R counselors give parents referrals on child care, they help find out what parents really need and make more efficient the whole operation of the local child care delivery system. When the vendor payment program provides the money and the R&R provides the information to parents that child care is both available and subsidized, each parent decision about child care is a much better decision in terms of location and type of child care.

Still another significant development in vendor payment programs, particularly for employer-supported programs, has been the experience of the Polaroid Corporation. This program has been in operation for seven years in Cambridge, Massachusetts, currently serving about a hundred employee families. Child care support is just written in as one of the options available to all employees under the liberal benefit package offered by Polaroid. It is significant that the program has been ongoing and continuous; if there were any problems with it, Polaroid probably would have dropped it. (Typically, an enlightened company will give a program like this maybe 6 months or a year. If it is not accomplishing corporate goals, it will die.) So, its continuation for seven years should be heartening to those who are looking forward to initiating more employer-supported child care.

The Polaroid fee schedule, the sharing mechanism, ranges in company contribution from 5%, for people who are making approximately $18,000 a year, to 70%, for people at the lowest income level (maybe $3.50 to $4.00 an hour). This is a very wide range in a fee schedule, but apparently it has served them well in terms of employee perceptions of fairness. One of the dangers of any sort of subsidy on a sliding fee schedule is that eventually a salary raise removes people from access to the benefit: this is a potential disincentive. However, the 70% to 5% range probably means that small increments enable a very gradual weaning off of the subsidy as employees become more self-supportive in terms of their pay.

4. THE CHOICES FOR CHILDREN PROGRAM

A current vendor/voucher program is Choices for Children, operating in Sunnyvale, California. Choices for Children serves about 300 children with only about 20 to 25 infants (because there are just very few spaces for infants), about 160 preschool-aged children, and about 120 school-aged children. At one point, Choices for Children had 700 families on the waiting list; but the number is much smaller now because of the long (year or so) waiting period.

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Ninety percent (90%) of Choices for Children families are single parents and 90 percent are working parents. About the only restriction on providers is that they must be licensed. One of Choices for Children's goals is to get an in-home care program operating, hopefully in this fiscal year. In-home care is difficult because of the need for safeguards with regard to the in-home caregiver's background and experience. With 73 homes and 77 centers involved, Choices for Children has a fairly evenly balanced mix of providers over the geographical area of Santa Clara County. Choices for Children's funding agency is the Office of Child Development in Sacramento, which is the major funding source for child care programs in the state.* The Choices for Children project staff includes a Director, a parent-provider counselor, a bookkeeper, and a secretary. This is a very small staff to service the needs of approximately 200 families and 300 children.

Now, how does Choices for Children work? The state requires Choices for Children to determine the eligibility of a parent to participate in the program. A parent, usually after an initial telephone contact, must go through an in-person certification procedure. The certification procedure is necessary because public funds are involved; it can be turned into a positive experience since, while filling out forms, the parent-provider counselors can get to know the parents. Skilled counselors find out not only the parent need for child care but also their experience and the extent of their knowledge about child care options. Then, the counselor is in a much better position to give that parent specific information relative to available options and, perhaps, some guidance on how to pursue them.

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*The legislative bill, that provided the funding for vendor payment, also provided the initial funding for resource and referral throughout the state.

There is a fee schedule given to Choices for Children by the State of California. Family fees begin to be charged when income reaches around $900 a month for a family of four and eligibility stops at 84% of the state's median income. This cut-off point is about $1,450 a month for a family of four, which may sound a little high because many people think state subsidized care is only for people on AFDC. Actually, one of the main emphases of this type of program is to support parents who are working but are still on the lower income scale.

A major element of this system is a contract between the parent and provider, which sets forth very specifically the terms and conditions under which care is going to be provided, the hours of service, the location, the meals served, transportation, and very importantly, the fee that is going to be charged. That contract is signed by the parent, the provider and Choices for Children so that everyone who is a party to the care situation is well aware of the details.

Then there is the set of financial transactions. The first transaction occurs when the sponsoring agency, in this case the state, gives Choices for Children money. When parents are certified and parent fees are set, there is a flow of money from parents, which comprises about ten percent of the total program funding. (In the industrial situation, this proportion would be significantly altered.) The third financial transaction occurs when the provider gives Choices for Children an invoice, and the provider is paid using the money from the state and the money Choices for Children collects from the parent.

A. The Staff

Probably the most important thing relative to the success or failure of a vendor payment program (as in all other child care programs) is the quality of people doing the work. The project staff must be able to work through all

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of the paperwork and the financial details and develop a good human relationship with a feeling of trust between parents, providers, and the program. It is that kind of empathy that is needed in all staff positions in the program. The program requires leadership and counseling skills, but, even more importantly, it requires excellent bookkeeping because most problems of the providers and the parents often revolve around money. Indeed, the secretary is a key person, too, because hers is the first voice that a parent hears; the way the secretary greets a person on the telephone or an in-person visitor sets the tone and provides the basis on which the future relationship will be built. In short, sensitivity, knowledge and communication skills are very important in all of the positions.

B. Services

The services provided by the staff include help in finding the most appropriate type, style and location of child care, referral to family service agencies in the community and help with parent problems, including the development of parents as well as the children. Another staff activity is provider visitation, and this gets into an aspect of quality control. Provider quality control can begin with a counselor saying, "hey, we would like to come out and see your center and share with you some information which other providers have found helpful both with respect to our program and with respect to what is happening to providers throughout the community." This opens the door to an open discussion of the providers' problems and some possible solutions.

Quality control also depends on counselor sensitivity to what parents are saying. Some parents are reluctant to criticize their providers directly because they are not sure whether or not something in the program or its environment is right or wrong, or because they are concerned about losing their subsidy if they "cause trouble." A counselor can gain parent feedback in a professional manner by removing potential threats to either parent or provider. Thus, the sensitivity of the program staff is helpful in making the information flow in a positive way.

C. Benefits

What is gained in the operation of the Choices for Children program? Ruth Frieze, who operates a similar type of program in Livermore, did a study of about 295 families who participated in her program over an eighteen-month period. Welfare costs for this group were cut by 50%, income and sales tax revenues were increased by 63% and parent fees increased by 65%.

The last figure (above) is significant. Since parent fees are directly related to family income by the fee schedule, the family income of this group must have shot up spectacularly within the study period. Further, there has to be a relationship between increase in family revenues and productivity as an employee. Interestingly, also, 84% of the people seeking employment who came came into the program found employment within 60 days. This is evidence that solving a child care problem is conducive to solving many other problems related to becoming employed.

5. VENDOR/VOUCHER AS AN EMPLOYER-SUPPORTED MODEL

In applying the vendor/voucher model to employer-supported child care, it is important to provide services without setting up a complicated program. Vendor/voucher programs are, to use an analogy, a lot like a Blue Cross program. It is the option wherein the employer does not build a hospital, but uses other existing medical facilities in the community while another agency facilitates the cash flow. Similarly, a separate agency, like Choices for Children, collects some money from the employer, some from the employee, and makes sure that the child care services are provided to everyone's satisfaction. The program does not involve any licensing of the agency itself.

A vendor/voucher program is relatively simple to set up, particularly with respect to facilities. All that is needed is a regular office environment, many telephone lines because it is a communication business, and a nice reproduction machine that really works. Electronic data processing may be used for billing functions, but is not required unless the program is serving more than 500 families.

Quality control in this program is supported by requiring licensing of all providers; but there is no substitute for personally visiting a provider facility. Also, ongoing communication with parents and providers is critical to quality control. The parents should feel confident about their knowledge of the activity in a provider's home or center. They should be able to communicate with the vendor payment counselor, and any difference of opinion should be resolved by the counselor without an emotional bias.

Staffing is important because of the skill requirements mentioned earlier. There are many talented, usually underemployed, child care professionals, who would be happy to respond to even a minimal recruiting campaign.

The cost of a vendor/voucher program to an employer is made up of two elements. First is the company's share (determined by a fee schedule or fixed contribution per month) of the local market price of care. In the Santa Clara County area, it is \$35 to \$45 a week for pre-school child care, perhaps \$55 to \$70 a week for infant care, and about \$30 a week for part-time care of school-aged children. Administrative costs are approximately 15% of the total cost of a program serving several hundred children, but it would drop down if the program served several thousand children.

One of the advantages to industry is that this program can be started relatively quickly. It also makes the cost of a child care benefit variable as a function of employment. Costs go up with full employment, but go down in lean times.

While vendor payment may not be the single best answer to employer-supported child care, it deserves a place in terms of all the options that industry will consider as it gets into child care in a significant way.

CARE FOR THE SICK CHILD: AN OVERVIEW

Bruce Kosanovic
Santa Clara County Health Department
Infant-Toddler Team

INTRODUCTION

It was estimated that, in 1978, there were one million young children with working mothers in California. There were approximately 129,000 subsidized child care spaces and 169,000 other-licensed spaces. This means, out of one million children whose mothers work, less than one-third were served by the child care community. When discussing the lack of facilities to provide needed care for children, one major concern is the almost total neglect of care for the sick child. The scope of the problem is as follows: (1) Licensing regulations in child care centers do not allow care for children who are ill. (2) Many parents find their jobs and/or schooling in jeopardy if they stay home with their sick child. (3) Last minute, temporary child care arrangements are difficult to make, expensive, and often unsatisfactory. (4) Children who are ill need someone familiar to care for them.

Ordinarily, a parent, usually the mother, must stay home from work or school to be with their child when the child is ill. If the parent's schedule does not permit an absence, there is a problem. Sometimes a friend, neighbor or relative will agree to care for the child. For many families there is no alternative and the child is left at home, either alone or in the care of an older sibling. Many times the child is taken to the day care center or school, even though the parent knows the child is ill. Once the child arrives at the day care program or school, staff and teachers are forced to care for the child at the program site until the parent returns to pick up the child. The child may be isolated from other children (in nurse's office or director's office) or may be allowed to intermingle with the other children. If the illness is severe, the program staff may be required to transport the child to medical care. These alternative care plans are inadequate at best, and, at worst, they are detrimental to the physical and emotional health of the child, the parent, other children, and the program staff.

BASIC DESCRIPTION OF MODELS

It is important that, when a child has a minor illness, there are plans and programs for care which are tailored to individual children, parents, providers and programs. Furthermore, all concerned should be aware of the health care needs of children and their plans for dealing with them. When young children are ill, families should have access to care either at the child care facility or in his/her own home.

Alternative care plans for sick children are divided into two basic categories: those which care for ill children in a group care setting and those which care for the ill child on an individual basis. There are several alternative care plans within each category.

I. The Group Care Models

These include a "sick bay" within an existing day care program or school specifically designed to care for three or more ill children. This would be staffed by health professionals and could meet the needs of a large enrollment program (80-200 children).

A smaller version of the "sick bay" plan would be an isolation area within an existing day care program or school. This model would have beds for one or two children, be staffed by a health professional or paraprofessional and would meet the need of a small/medium enrollment program (20-40 children).

A centrally located infirmary, staffed by health professionals and shared by several day care programs, could care for 15-25 ill children per day. These services could be designed and funded by or contracted out to several day care programs. This infirmary might even be located at a parent's place of employment or training.

A smaller version of the "infirmary" model would be the use of a family day care home to provide care for ill children from one or more programs.

The last model within the group care category is the licensure of a center/program staff member as an "on-call" family day care provider, who would provide care for ill children within the provider's home.

The prime advantage of the group care models is that they allow for care of large numbers of ill children at one time. Their disadvantage is that they are expensive to develop and operate ($75,000 - $200,000, depending on facility renovation, program size and staffing). Group care models are better suited for care of mildly ill children, pre-school age or older.

II. The Individual Care Models

Model programs that care for individual sick children call for a center/program staff member, who is "on call" and would care for an ill child in the child's own home. When this staff member was not being used for an "ill child" worker, he/she would participate in the "normal" day care program.

An expanded version of the "on call" model is the use of community health workers, employed by a central agency (such as 4C's Council), who would care for ill children in the child's home and be available to any family living within a specified geographical area, employed by specific corporations/agencies, or meeting certain socio-economic criteria. Parents would call a central phone number and request care for the following day. Their calls would be handled by a dispatcher who would be responsible for coordinating and dispatching workers to each child's home.

In general, the individual care models are less expensive to develop and operate than the group care models, with staff salaries accounting for most of the program cost ($15,000 - $100,000, depending on the size of the program). Individual care models are better suited for care of ill children, ages birth to three years, or any child with an acute illness or communicable disease.

PRE-OPERATIONAL RESEARCH AND PROGRAM OPERATION

The following objectives should be researched and implementation plans (timeline) developed before beginning operation of a "care for the sick child" program.

I. Make a needs assessment of the community which would be using the program. Will this program meet the needs of your families, and is the service already provided within your community? What are the advantages and disadvantages of each alternative care plan?

II. Define the target population to be served. What families will be eligible; how many children will be cared for; what ages must the children be; what illnesses will be cared for?

III. Once you've assessed the need and defined the target population, you begin the program design. What are the components of care to be offered; what support services will be offered to both staff and parents; what hours will the program be open; what equipment and material will the program require? How will you staff the program? What are the staff/child ratios; what qualifications must your staff have; how will you recruit your staff, and what will be their salaries and benefits?

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IV. Now, undertake the facility design. Will the facility be on or near a work site; what are the construction requirements and space requirements; how much renovation will be needed?

V. Develop an operating budget which should answer the following questions: What are the start-up costs; what are the operating costs (including a monthly budget); what is the total investment (including financial objectives and return on investment)? What are the possible sources of revenue and funding (these could include parent fees, foundation or grant funds, federal funds, etc.)? What are the tax advantages of your program, and what will the insurance costs be, including property and liability coverage? How will you evaluate the quality and cost effectiveness of your program?

VI. Undertake research to determine community/state agency involvement. Develop a relationship with those agencies who govern the licensure and zoning of your program. This includes the Fire Department, Health Department, Department of Social Services and Department of Education. A positive relationship with the above agencies will prove useful in the long run.

BASIC GUIDELINES FOR CARE OF THE SICK CHILD

In closing, there are four requisites for a quality health care program for sick children. First, because ill children need extra sleep, allow space for quiet time and rest. Second, provide tasty, nutritious food for the children; this, along with rest, are the building blocks of recuperative care. Third, the environment, and people within the environment, should be clean. Simple procedures, such as proper hand-washing, are a major control of the spread of communicable disease. Children should be allowed to exercise within the limits of their physical abilities; sick does not necessarily mean bedridden. The environment should be safe and happy, and the children treated with respect. Finally, the caregivers should be healthy. They should practice good health procedures and meet their own physical and mental health needs.

SICK CHILD CARE: TWO MODELS

Alice Jordan
Berkeley Children's Services

The Berkeley Sick Child Care Program and Albany Wheezles and Sneezles Center are model programs developed in response to the need for sick child care options for working and student parents. These programs receive state and local government subsidy to serve low-income families. Similar, privately supported systems could be established based on these models.

NEED FOR SICK CHILD CARE

The Berkeley program was based on the findings of a community needs assessment, which identified that 83% of the working parents surveyed had no adequate solution for care of a sick child. The study estimated that 10,000 work days were lost in Berkeley alone, constituting an economic problem for employers, a hardship for families, and a source of serious jeopardy to the employment of women.

Few child care facilities care for an ill child on-site, and absentee rates due to illness range from 12 to 25% a day in group child care settings.

PROGRAMMATIC OPTIONS

1. The Berkeley Sick Child Care Program

This is an in-home, homemaker service, which currently serves over 500 families a year, delivering in excess of 10,000 hours of child care. Parents call a central dispatching number to request a trained Sick Child Care Worker. The cost for the service is approximately $6.00 per hour. The workers are salaried at about $4.00 per hour. The remaining $2.00 per hour is used to cover operating costs for a dispatcher/coordinator, training, supplies for workers, and general liability insurance coverage, etc.

The program has operated successfully for eight years. The following are key ingredients for its success:

1) The program is run by a non-profit, parent-user board of directors, and is very responsive to parents;
2) Workers are primarily older women who have raised their own families and bring to the job a wealth of practical experience, which is reinforced by training;
3) The program has established an excellent reputation in the community; therefore, parents readily trust and utilize its service.

2. Albany Wheezles and Sneezles

This is a small group care option created by the Berkeley Sick Child Care Program as a "satellite" to a large children's center. Licensed as a family day care home, the program can care for six children daily who are recuperating from mild illnesses. A part-time nurse screens children to confirm the appropriateness of their spending the day at Wheezles and Sneezles. Located a block from the center, it is accessible to parents and is a familiar setting for the children.

Research conducted by faculty and students at the University of California's School of Public Health confirmed that care by a trained worker is a safe and acceptable alternative to in-home parent care. Children cared for at Wheezles and Sneezles recovered slightly faster than a control group cared for by their parents.

FUTURE DIRECTIONS

Childhood illness is inevitable. When a child becomes sick, a problem is created for working parents and for programs caring for young children. A range of solutions should be made available to meet the specific nature of a child's illness and the parents' particular employment constraints. This includes creating access to capable, warm, in-home caregivers, as well as providing flexible arrangements at the child's primary child care program.

Berkeley Children's Services can be a resource to employers and parents who are seeking to develop solutions to their child care problems based on their particular needs and priorities. We are available to assist in setting up projects similar to the Berkeley Sick Child Care Program and Albany Wheezles and Sneezles. A Sick Child Care slide/tape show is available for showing to groups interested in exploring this potential child care benefit option.

THE FAMILY DAY CARE NETWORK

Karen Marsh
Asian, Inc.

Let me begin with a special thanks to the Santa Clara Private Industry Council for making this conference possible and to the S.F. Private Industry Council for providing funding to the Family Day Care Network. I salute your willingness to be pioneers in the area of employer-supported child care.

The Family Day Care Network is a non-profit, state demonstration program under the sponsorship of ASIAN, Inc., a neighborhood assistance agency which has been operational in the Bay Area for ten years.

The overall project costs are funded by the State C.E.T.A. office. Training for our child care providers was done by the S.F. Community College which is reimbursed by the attendance of the students. Training stipends were paid by the S.F. Private Industry Council and the Mayor's Office of Employment and Training.

Having been a hospital social worker and consultant, I became increasingly aware of the special child care needs of parents working in the medical community; parents working under high levels of stress outside the typical 9 to 5 hour day. I was given the opportunity with a National Institute of Health fellowship to devote a year researching service delivery systems for child care which would 1) meet the special needs of working parents in the medical and business community, and 2) which would be economically viable for employers to support.

In 1976, the Department of Labor administered a nationwide survey to hospitals which had offered child care for employees. The responses indicated that 1) child care for employers was necessary 2) it was a vital personnel recruitment tool, 3) it lowered employee turnover rates and absenteeism, and

4) it increased morale and productivity. However, many hospitals terminated their programs. Why?

The reasons stated were:

1) Initial start-up and ongoing operational costs were too high.

2) Finding space to operate a program was difficult within the hospital setting.

3) Programs were not filled to capacity and, therefore, operated in the red.

The Family Day Care Network, since July, 1979, has been engaged in addressing these three problems. We serve working parents in eleven hospitals, the sheriff and police departments and a university in San Francisco. We have nine operational sites located near the various work sites and plan to add 20-25 sites during the following year. Let me now explain how the Family Day Care Network is addressing the three stated problems:

1) Initial start-up and ongoing operational costs were too high:

   Unlike hospital child care programs represented in the Department of Labor report, we did not choose a center-based model but a family day care home model. Family day care homes are child care programs which operate in a home dwelling, serving children birth through age twelve. They are licensed by the State Department of Health or by the county. They are the most widely used form of child care for children under two years of age in the U.S. at the present time.

   The model was selected because the economic benefits are favorable and allow for maximum flexibility in service delivery. Costs are minimized because the home setting serves dual use as a residence and child care site. By using the home site, the child care workers benefit because normal living expenses such as rent, utilities and phone are partly deductible as business expenses.

   Parents benefit because the costs are kept lower, although fees are set at a rate to provide a decent income level for the child care provider. The providers are assured a steady income by government funding from year to year. In addition, there are no income eligibility requirements so that no parent is excluded from the service. Parents receive a substantial subsidy through child care income tax credits.

Start-up costs for equipping each home site are minimized by using revolving loan fund techniques so that equipment monies are used over and over again, thus reducing the need to perpetually raise funds. Operating costs are also minimized by ensuring providers are linked to a wide variety of available resources. These include the Department of Agriculture Child Care Food reimbursement and equipment programs, nutritional services through U.C. cooperative extension programs, Foster Grandparents, youth workers from high schools, college students participating in field work placements, health screening services, toy-lending library as well as numerous other sources.

2) Finding space to operate a program was difficult in the hospital setting:

In San Francisco, real estate speculation has driven rents and home prices beyond the level which most people can afford. By arranging for the day care provider to be self-employed in their own homes, they can afford better housing by writing off rental costs as business expenses. The employers benefit because they do not have to absorb operational, maintenance and rental costs of the child care site. They do not have to be involved with site acquisition and maintenance. The parent benefits because sites are located in different areas of the city allowing parents to choose a site near work or home. The child benefits from a cozy, homelike environment in which individualized care is provided in a small group setting. Children can plant vegetables in the garden, visit with the mailman or take trips to the park or grocery store; neighborhood activities which children in center-based care may not be able to experience.

We are purchasing an apartment building with a loan from the Ford Foundation which contains three child care home sites and is located a mile from many of the hospitals and the university we serve. We plan to purchase another building this year. As we acquire buildings for child care operations, the Family Day Care Network builds long-term economic strength because we develop equity in the buildings and have a capital base to finance our expansion without having to request public or foundation funds.

3) Programs were not filled to capacity and, therefore, operated in the red:

By using the family day care home model special needs, i.e., evening and weekend care, infant care and sick care can be met. The flexibility of having different home sites providing different types of services, operating flexible hours, serving numerous age groups allows parents "cafeteria" style options, or the ability to choose a site most suitable to their needs and preferences.

> The Family Day Care Network jointly serves fourteen employers. This dramatically lowers the likelihood of the child care sites not being filled to capacity and brings together employers, parents and groups in the community in a cooperative fashion.

The Family Day Care Network is reaching the end of its "demonstration" period. Employers thus far have not been asked to pay any fees for our services because of our state and local funding. Shortly, we will be requesting employers to guarantee a certain number of spaces for their employees. We believe this to be a low risk for the employer; for example, if each employer reserved thirty slots for their employees in a hospital with 2,000 workers, the chance of paying for unfilled child care slots is minimal. Employees would pay only if a parent did not use the slot that month.

Employers will be requested to pay an annual fee for the materials and overhead needed to maintain the referral service, supportive services and complete the site development work needed. Again these overhead costs can be shared among several employees, reducing the cost per employer.

In closing let me point out the following:

1) Two out of three mothers with children under six years of age are returning to the work force according to the Department of Labor.
2) Inflation necessitates both parents working, today.
3) Unless employers address child care needs, they will continually face absenteeism and high employee turnover rates.

The Family Day Care Network has a service to offer employers, a service needed by working parents.

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Company Programs

EXISTING EMPLOYER-SUPPORTED CHILD CARE PROGRAMS

Harriette Sakuma
Children's Rights Group

Employer-sponsored child care is receiving national attention these days -- as attested to by the title of Santa Clara County's conference "Employer-Supported Child Care: An Idea Who Time has Come." On May 9, 1980, the Wall Street Journal noted:

> Employer-sponsored children's day care centers are reappearing around the country's offices, laboratories, and assembly plants. Many of the employers are high-technology companies facing an acute shortage of workers. Providing day care helps recruit and keep working mothers and fathers, reduce absenteeism, and increase productivity, the companies say.

On the other hand, in her May 19, 1980 Newsweek article, "The Superwoman Squeeze: Women at Work and Home," Betty Friedan states: "We are one of the few developed nations in the world that do not have serious child care programs." According to Ron Haneberg, Buck Consultants, NYC: "There's not much being done [in employer-sponsored child care]: the large socially aware companies are talking about these programs, but the others are not even discussing them."

ABT Associates, Shugart, Amdahl, National Semiconductor, and the Jet Propulsion Laboratories will tell us what their child care programs are like.

Day care for children has had a long history in our country, ranging from the social welfare services provided by philanthropic ladies of the 19th century, to the government-subsidized work-site child care programs during World War II, and now employer-sponsored child care. The 60s and early 70s saw a resurgence of interest in work-related child care. Several work-site centers opened during this period; although a number of them have subsequently closed, new programs have in many instances taken their places.

Polaroid contracts with a child care center at which Polaroid employees receive a discount. The Ford Foundation operates a voucher program for its employees. The Northside Child Development Center in Minneapolis serves a consortium of the following: Control Data, Pillsbury, Northern States Power, Northwestern Bell, Dayton's Department Stores, and the Lutheran Brotherhood Insurance Co. St. Louis has a Downtown Day Care Consortium. In addition, the following have all opened centers:

Skyland Textile, Morgantown, North Carolina
Joshua Tree Manufacturing, Los Angeles, California
Vanderbilt Shirt Co., North Carolina
Curlee Clothing, Mayfield, Kentucky
Mr. Apparel, Inc., High Point, North Carolina
AVCO, Boston, Massachusetts
Whirlpool Corp., Benton Harbor, Michigan
TRW, Houston, Texas.

Levi-Strauss operated a center for a brief time in Star City, Arkansas that was eventually turned over to a community group to serve employee's children and others. Under the direction of President Henry Morgan and his wife Gwen (a child care professional), KLH, a company manufacturing stereo equipment, formed a non-profit corporation, applied for Children's Bureau funding, and opened a center in 1967. By 1974, the center was operating as a parent-controlled community day care facility, still connected to KLH but with little or no corporate support.

Metropolitan Life and Bank of America have supported child care indirectly by publishing informational consumer pamphlets on child care and articles on the financial aspects of child care programs.

The health care industry has been one of the most active in employer-supported child care. In their research, Hope Raymond and Ann Schneider point out that there are probably more than 100 hospitals across the country operating child care centers, 90% of which are subsidized by the hospitals.

These government agencies have been involved in child care:

Department of Agriculture
Department of Labor
Equal Employment Opportunity Commission
National Institutes of Health
National Institute of Education
National Aeronautics and Space Administration
Department of Housing and Urban Development
Social Security Administration
Department of Health, Education and Welfare
California State Department of Motor Vehicles.

In addition, many military installations have on-base centers.

Until very recently, the Amalgamated Clothing and Textile Workers Union was the only union involved in child care; it runs seven centers in Maryland, Virginia, Pennsylvania, and Illinois. Newsweek reports that Communications Workers of America will be placing company-subsidized child care high on its list of priorities for contract negotiations. And the United Auto Workers Union has indicated that child care may be one of its serious demands in 1982. In the San Francisco Bay Area, the United Electrical and Machine Workers Union has negotiated a $100/month child care subsidy for its members at FM station KPFA in Berkeley. This benefit began in December, 1980.

Here are some other "recently discovered" programs:

Wang Laboratories of Lowell, Massachusetts (as reported in The Wall Street Journal) is helping to pay the costs of a child care center for its own and other community children.

Fornay Engineering Co. in Addison, Texas (reported by Susan Hubbard, CDI) has founded a child care center because its president feels that an employer has a responsibility to support child care for employees.

Tupperware in Jerome, Idaho (reported by Susan Hubbard, CDI) found that families could generally keep child care "together" during the school year, but not during the summer holidays. The company's response has been to set up a huge summer recreation program and facility for employee children. Tupperware now has programs at its other plants in Rhode Island, Tennessee, and South Carolina as well. The parents pay only for meals. Company officials say that these summer programs have cut down absenteeism and turnover.

There have been a variety of responses nationally to: 1) the need for more child care slots, 2) the high cost of child care, and 3) the need on the part of business to decrease absenteeism and turnover and to increase productivity and employee morale. Here are some statistics reported regarding employer-supported child care:

Absenteeism:

- Rochester Clothes, Inc., New Bedford, Massachusetts. "Employee absenteeism dropped from 10-15% down to 3% with the establishment of a day care center in 1965."
- Control Data, Minneapolis, Minnesota. "Employee parents with children in the center reduced their absenteeism rates by 21.4% over their own rates before enrolling in the center."
- Sony Corporation, Japan. "Sony's overall absentee rate declined from 20-30% before instituting a day care center to 6% once the center became available.

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Turnover:

- Vanderbilt Shirt Co., North Carolina. "Turnover among mothers with children in the corporate day care center is practically nil, while women employees not using the day care center have a turnover rate of 72%. Turnover costs are about $1,000 per employee."

- Mr. Apparel. "Absolutely zero turnover among women using the center compared to 80-90% among other employees. Turnover costs are estimated at $1,500 per lost employee."

- Sony Corporation. "Turnover rate is 16% per year, compared to 40-50% per year for similar companies without day care."

- Control Data. "Turnover rate is 2.3% per month among center users as compared to 6.2% per month among employee parents who do not use the center."

Now, we will hear from industry representatives in the Bay Area who will bring us up-to-date on the current status of local employer-supported programs.

CHILD CARE PROGRAM AT STRIDE-RITE, INC.

Miriam Kertzman
Stride-Rite Children's Center, Inc.

The Stride-Rite Children's Center is located on the first floor at the rear of the factory building and occupies 3,400 sq. ft. of space. This building was renovated to meet Massachusetts' licensing requirements and the needs of children and staff. There is a separate entrance to the facility, across from which is a large playground designed and built by parents and staff from recycled materials such as utility poles and tires.

It is a separately incorporated, not-for-profit unit, called "Stride-Rite Children's Center, Inc." The board of directors, budget, payroll, personnel policies, even the kitchen, are all separate entities. The eleven-member board of directors is composed of two company people, three parents, two staff, and four community people (a lawyer, an educator, a child advocate, and a pediatrician). It meets four times a year to set policy and decide on financial matters.

The center opened nine years ago this month, with 15 company children and 15 community children. It has maintained approximately the same ratio for the 50 children it serves today.

The center has published a "How To Do It" booklet which contains information on its floor-plan, the 1980 budget with details on sources of income and operating expenses, a description of its daily program, its modus operandi, and a rundown of the optional ancillary services available to the families for their children in its care.

What is the philosophy behind the Stride-Rite Children's Center (SRCC) and the reasons for its longevity and success?

There are four groups which make up the SRCC family -- each having its own separate needs and strengths. These are: the children, the parents, the staff, and the company.

Unless all four groups function well, separately and together, this family, like any other, cannot succeed. Let us examine some of those needs and see how we meet them.

The children

The central group of the family is the 50 children, ranging in age from two years, nine months to six years; 50 children of varying races, cultures, ethnic origins, languages, and developmental stages; 50 children of differing skills and temperaments. In short, 50 individuals for whom curricula must be planned in areas of physical, social, and emotional growth, as well as for readiness in math, art, music, reading, science and language.

The staff

Unless teachers have the respect, the working conditions, the salary, and the benefits that the profession deserves, there will be high turnover. High staff turnover creates inconsistency and instability for the children and lack of credibility among the parents. Ours are among the highest paid day care teachers in Massachusetts, having paid vacations and sick leave and fully paid hospitalization insurance. They share in management decisions. They choose the teachers to fill our few vacancies, after observing the candidates for a full morning at the center. Our average staff retention rate is five years, seven months. Staff morale is high and pride in our center is evident. When staff needs are met, children and families benefit directly.

The families of the children

Working parents have a tough time trying to juggle what is basically a two-job program -- the home, which is cash-free and stressful, and the outside job, which is cash-paid and stressful. When working parents see their children at lunch time or visit once in a while on breaks, this alleviates the stress. They can see and be part of the child's day. Their interactions with staff are not limited to talk about their children. Parents talk to staff about gasoline prices, baseball, or what was on TV last night. They are all -- staff, kids, and parents -- a kind of family, sharing some commonalities during the day together.

The Stride-Rite Corporation

Stride-Rite, a leading manufacturer of children's footwear, does care about kids, and the result is apparent. The child care program has reduced absenteeism slightly and also cut the cost of retraining new employees. The program has also been of help in recruiting stable, skilled, family-oriented employees.

The commute is shorter for the employees because they and their children have only one destination. As a result, employees are more punctual in the morning. Stride-Rite is justly appreciated in the community, and perhaps nationally, for being a good and caring citizen. This is certainly not the center's raison d'etre, nor the company's intention, but it doesn't hurt.

Let me close with a few remarks about why this four-way interaction is working so well and why the Stride-Rite personnel department is totally free of complaints and grievances about the center. Parents know that the center staff maintains family confidentiality. We are able to enter into contracts with federal and local government agencies for help in staff training and in funding. The company is free of legal liability for the center. All this is in place.

But, most importantly, the education of children is not seen by any of the "family" groups as a profit-making enterprise. Concern for children is our goal, not profit. Elementary school education is not a profit-maker, neither is high school or medical school. It is unconscionable that some people regard our youngest, most precious pre-schoolers as a profit-making commodity, or that we pay their caregivers less. I hope and trust that you who plan to start your own centers will give them the support and caring that Stride-Rite has given to us.

THE SHUGART ASSOCIATES CHILD CARE PROGRAM

Elaine Juhola and Chuck McTier

Shugart Associates

I'm Elaine Juhola, and I have had a lot of background in child activities at all age levels. Shugart had no notion of that background when I introduced the company's child care program -- that I had been coordinator for my son's school and had founded the Los Altos Hills babysitting co-op. Maybe I've just got "Mommy" written all over me, I don't know. I do have two children; I am a single parent, and the problems of working and caring for children are of vital interest to me.

The child care program at Shugart was initiated because of several indicators. First, we have a program at Shugart called SHARE. Employees from all levels are invited to sit in on meetings where the actual environment within the company is to be addressed -- cost-saving, increased profitability, and just generally making Shugart a better place to work. Several times during screening meetings for SHARE the child care issue was brought up. Also during the exit interviews conducted as employees leave Shugart the need for child care consistently came up. In addition, one particular department was considering going on a chain shift, which is a four-day ten-hour-day work week. What kind of impact was it going to have on the employees' home situation, especially as far as child care was concerned? Several people left Shugart because they were not able to make adequate child care arrangements around those hours.

So needs assessments were done, one in May and the other in July, and I began to get answers back, both from people who had child care problems and those who did not. I also got returns, very positive returns from people who didn't have any children at all who thought it was a terrific idea, who wanted to be part-time teachers if we got a program going. The one problem we had was: when you start making needs assessments you're not sure you're going to even have a program, you're trying to decide what the climate is, and suddenly you have employees who think you already have a program going. We had two people who were ready to turn in their resignations and start working in a child care center that didn't even exist yet. So you really have to be careful in your approach, and say you're just trying to find out what the interest is.

We wanted to know what kinds of problems people had with child care. Did they have enough information regarding child care availability within the community? How far did they have to travel to their child care service? Was child care an issue in their attendance or their staying at Shugart? Were they really leaving us to go down the street for 10¢ an hour more to help with their child care problems?

The returns on the survey numbered approximately 200, which I thought was pretty good for 1,200 employees. As far as positive returns, 93 people said they needed child care, were looking at alternatives, and wanted to know what we could do for them. At that point I didn't have any idea of what I could do for them. Now suddenly word was spreading that everybody was looking for child care, and that we were going to start a program. The only thing we had to offer was the Four Cs Hotline, which gave people within the community an idea of which centers had openings.

The biggest problems most people seemed to face when they were starting to look for child care were: 1) what could they afford, 2) was there a waiting list a block long, and 3) would the service work around their hours.

Most child care centers don't open until 7:00 a.m. We have employees that begin work at 5:45. Some centers don't stay open after 5:00. Some of our employees don't get out until 5:30.

After we found out that there was a need, one of the things that we had to look at was, if we began to issue this kind of company-sponsored program, was it going to be an unequal benefit? What would happen if someone who was single and didn't have children said "You're spending this much money on that employee who has children -- what am I going to get?" The only answer at that point was we have an eyeglass program too and not everybody wears eyeglasses; we have a tuition refund program and not everybody takes advantage of that either.

But the bottom line is always the financing. We decided we would stick the program into what we were calling our Cafeteria benefits program. But then we had to change that because everybody thought we were going to have a hot food cafeteria. Now it's under the flexible benefits program. We got some funding based on that, or at least we got approval to begin the program anyway.

The program still wasn't on its way. We had a need, we had problems, we had certain issues that we wanted to address, we had certain programs that we wanted to work at Shugart. So, where do we go from there? People started calling me; every day I'd come into my office and I'd find a new clipping from the newspaper on child care and working women. Well, it wasn't only working women who were interested, it was working men as well. We didn't have as many single fathers, but there were men who did have children whose wives needed a rest, and they were interested, as well as those people who were in need of child care just to stay employed. Several child care providers also contacted us, but the only one that was able to work around our schedule and our needs was California Young World. And, for the most part, California Young World has done most of the legwork as far as setting up the actual child care center is concerned.

We tried to see whether or not we could approach the state, to get private project funding going, to see if we could subsidize some of the tuition -- because that seemed to be the biggest factor for most people, the tuition. By the way, our center charges $150 a month, and that is for child care from 5:30 a.m. to 6:00 p.m., Monday through Friday. That might seem cheap to some people, but for others it isn't, not on minimum scale.

The next biggest problem we had was trying to find a site. We were lucky. We were able to find a nearby school site which we now occupy. It's part of the Sunnyvale School Board of Education, and it is a closed school. We have the facility available, it's licensed for 75 children, and there are 47 in it now, not all from Shugart. We have been given a promise that we can lease other rooms to accommodate growing enrollment.

One of the biggest eye-openers for me has been that quality child care alone does not sell a program. There are other issues that you have to consider. You have a wide gamut of interests in child care. Many parents want to know if you have a small-motor coordination program, and reading readiness, and math readiness; and at the other end of the spectrum, there are those people who would just as soon drop the kids off on Monday and pick them up on Friday. Do you have a bilingual program? We have two Indian boys whose father wanted them to learn English. We had a Spanish woman who wouldn't enroll her child because she wanted a bilingual Spanish teacher. So there are many ideas, many parameters. We had to consider what was going to make people become involved, become enrolled, participate in the program. We're lucky that we have the school located within 2 1/2 miles of Shugart; proximity is a major requirement for many people. At the present time, our feeling is that this summer we will have a larger enrollment because then there will be a greater need, what with many children not in school. And interest is growing, so that we're considering going to swing-shift coverage. Right now we haven't got enough numbers to support it, but another needs assessment is going out to see what the current attitudes are. Now I think Chuck is going to give you an idea of where we want the program to go.

Elaine has done a very good job of explaining how Shugart got involved in the whole concept of child care, what our initial steps were, how we associated ourselves with California Young World. What I want to do is update you on what results we've seen up to this point, and show you what we're aiming at for the future.

From an industry standpoint, there were three main areas I think we wanted to address by bringing a child care center into operation. Those three aspects were recruitment, absenteeism, and turnover. And we have seen some changes in those areas. In our recruitment advertising, we do use the fact that Shugart has a child care operation as a benefit. The employment department reports to me that we have had an easier time recruiting in recent months; now, it's really hard to evaluate what the reasons for that ease-up in recruiting are, it could be just industry availability, it could be the economy, it could be a number of things. However, specifically on four or five occasions people have said that they have come to Shugart because they knew we had a child care facility available. So there has been at least a small impact. In the area of absenteeism, the overall absentee rate has remained pretty much the same. However, we've seen a significant drop in the number of times people will say "I couldn't get in on time because I had to take my kid to school," or "Sorry I couldn't make it yesterday but I didn't have a babysitter." The reasons have changed, the rates are about the same. It's hard to evaluate what that means. There has been a significant change in our turnover rate. We've seen a marked decrease, and we're happy with that. However, child care problems are still given as one of the major reasons why people leave. I still see that on exit interview reports, and when I do, I ask the departing employee "Are you aware of our child care center?" And the answer quite often is no, they aren't aware of it. That's disturbing to me because we went through some pretty extensive publicity campaigns, we had representatives from the center come over during lunch hours and give pitches, we've done all kinds of things. Of course some departing employees do know about the center, and we ask them if they've had their kids enrolled, and they say no. So naturally we ask them why, and that's when this thing about cost quite often comes up. As Elaine reported to you, $150 is our tuition per child per month; that's pretty good, it's about 70¢ an hour. That's pretty cheap. But for an assembler out on the line, that's a lot of money, and we've got to recognize that fact, that it's cheap but it's still a lot of money to a lot of people. So we're still running into that as a problem.

Regarding the near future, we want to expand interest in and usage of our child care center. We think we've got an excellent program, we're very proud of it, and we want it to be widely used, much more so than it is right now; so that's the direction we're going. We want to look at expanding the coverage from what is now strictly a day-shift operation to including our swing shift, and eventually perhaps even graveyard. We're also considering the possibility of extending coverage to include infants. Right now, the minimum age is 33 months, and we get a lot of people who say "Gee, I wish the center was available to me, I've got a six-month-old child and I need something to do with him." And we have to shake our heads and say sorry. We're also looking into ways of getting around the cost problem, of reducing the cost from that $150 to something a little more acceptable, because as I told you that seems to be the only major hang-up. And overall, I think we just have to do a better job of communication and information dissemination, because it disturbs me greatly when people leave and say they didn't know we had such a service. As I said, I'm very proud of what Shugart has done so far, and I think it's going to get better; we've taken a step, and I'm hoping that many of you will take that same step -- and that you'll give Elaine and me as much feedback as you can as you're going along. Thank you very much.

THE CHILD EDUCATIONAL CENTER:
CALTECH AND JET PROPULSION LABORATORY

Eric Nelson
The Child Educational Center

The Child Educational Center (CEC), Caltech/JPL Community is a non-profit corporation founded in August of 1979 in response to the child care needs of the approximately 10,000 employees, faculty, and students of the California Institute of Technology and its Jet Propulsion Laboratory, both located in Pasadena, California. A 15-member board is composed of parents of both centers and representatives from other sectors of the Caltech/JPL Community, including two women's groups.

The CEC serves its community through two centers. One is located on the Caltech Campus in a Caltech-owned house and serves 36 children, ages 2, 3, and 4. It was opened in the fall of 1972 through the efforts of a handful of Caltech women. The center for JPL is located at the Oak Grove Elementary School, 1/4 mile from the Lab, and serves 92 children, ages 2 months through 4 years. The facility is leased from the La Cañada School District and was opened in September of 1979. Both centers are open to the public on a space-available basis.

Both centers are funded primarily through tuition, with a limited contribution coming from fundraising. Limited tuition assistance is available from the Caltech/JPL United Way charity drive. While the Campus Center was started primarily through privately raised funds, the JPL Center was started on a $44,000 no-interest loan from Caltech, payable over 4 years of operation.

Both centers were started through cooperative interaction between women's groups and administration. Caltech currently subsidizes the campus facility through reduced rent and the provision of some annual maintenance, and the JPL facility through its no-interest loan. JPL, which is federally funded, is currently seeking "in kind" funds to match Caltech's subsidy. Caltech further provides assistance for legal and financial affairs. Both centers are written in as riders on Caltech insurance policies.

The establishment and development of child care centers for Caltech/JPL reflects employer's growing awareness of the need to be concerned with the child care needs of their employees. Under current inflationary pressures, considerable creativity is required to fund such programs without overburdening families or underpaying child care teachers. For Caltech/JPL, which must maintain a competitive edge in hiring and retaining employees, maintenance of such programs attracts employees with or without children of pre-school age by projecting an image of sensitivity and responsiveness to the needs of the employees as a whole. This is, in part, reflected by the fact that 80% of JPL's regular employees are male. Approximately 50% of the children who come to the center each day are brought and picked up by men. The development of child care at Caltech/JPL is a reflection that child care is not just a women's, poverty, or welfare issue, but rather an issue of society at large, in which everyone must take a part.

SUGGESTIONS FOR A CHILD CARE-RELATED RESEARCH COMMITTEE

by

Linda Williams
National Semiconductor

A. Organize a working (researching) child care committee consisting of employees from different divisions and levels.

B. Elect a chairperson (preferably someone with child care knowledge and background).

C. Decide on your committee goals and objectives. Example: draft a proposal for a child care center (on-site).

D. Assign research topics to committee members with a time-frame.

E. Suggestions for research:

   1. Research needs of employees (do a needs assessment).
   2. Look into potential benefits to company.
   3. Research alternatives for eligibility. (Who will participate? What is subsidy?)
   4. Licensing -- research the Department of Social Services. (Find out requirements for getting a facility licensed.)
   5. Government and Private funding -- find out what's available now and in the future. (How can you apply?)
   6. Research what other companies have done in terms of child care. (Locally and nationally.)
   7. Find out about tax incentives and benefits to companies.
   8. Budget: how much will your project cost? (Include start-up costs and operating costs.) Examples: kitchen equipment, salaries.
   9. Investigate potential facilities.
   10. Find out about public agencies and private consultants available to help you. (Compare cost and effectiveness.)
   11. Most important -- research alternatives to your objective (goal). If you couldn't achieve your primary goal at this time, what can you do to progress in the same direction?
   12. Develop presentation format.

RESOURCE AND REFERRAL SERVICES AT AMDAHL CORPORATION

Judy Hallagan
Amdahl Corporation

Amdahl Corporation is an electronics company engaged in the manufacture of mainframe computers. It has an employee population of approximately 3550 worldwide with 2900 employees based in Sunnyvale and Santa Clara. While there is a small assembly group, most employees are engineers, computer programmers, electronics technicians and systems analysts involved in designing, developing and manufacturing computer hardware and software.

Within Amdahl's Department of Industrial Relations is Health and Medical Services whose function is to support the work force by providing nursing assessments and referrals for occupational and non-occupational illnesses and injuries, counseling and health education programs.

One of the health education programs for 1979 consisted of a "Health Fair" at which time a needs assessment was conducted as part of a sub-program dealing with the issue of child care.

As a result of the needs assessment, it was decided that child care be a top priority for 1980. Employee responses obtained from the needs assessment demonstrated that they lost time from work due to sick children needing care, that they needed additional care for school-aged children, and that they expressed concern and interest in the educational and social needs of their children.

This clearly showed that there were ways a Health Service could respond to the needs of employees who needed assistance with these special concerns by providing programs.

The goal of the program was to establish a Child Care Information and Referral Center within Health and Medical Services as of July, 1979. The objectives were fourfold:

- To provide information on the location of available child care utilizing the 4C's (Community Coordinated Child Development Council of San Jose) resource list, a locator map detailing, with a color code, the street location of centers, and a child care checklist so that parents could have a reference list of questions to ask themselves about the physical and emotional aspects of the center. Target date for completion: August 1979.
- To provide health education programs in the following areas:
    - Prenatal counseling
    - Care of infants and toddlers
    - Parenting, single parenting, working families
    - Child abuse/parental stress problems
    - Child growth and development
- To coordinate special needs of families with community and/or private services. Some of the community and private services would be:
    - Public health referral
    - Pediatrician referral list
    - Community agencies
    - Adoption services
    - Genetic counseling
- To discover cases, within our employee population, of families with children who may have learning disabilities, developmental disabilities, adjustment problems, and nutritional needs through counseling services.

Many pamphlets were obtained through private agencies and the county public health department and placed in a rack adjacent to the locator map.

Prenatal counseling, including weight, blood pressure, nutrition, the role of working mothers and "the Supermom" syndrome became available as an adjunct to individualized obstetrical care. A Lamaze instructor was invited for a noon hour program in August, 1979 to answer questions about the Lamaze method of natural childbirth while later, a representative of the March of Dimes led a discussion on birth defects, alcohol and pregnancy. The pamphlet, "Be Good To

Your Baby Before it is Born," was available to all who attended.

The Parental Stress Hotline telephone number became visible in the office and it opened the door to informal counseling and referrals to outside agencies when appropriate.

Special needs of families can be coordinated in an Occupational Health setting. For example, arranging for appointments with adoption agencies for childless couples who have been hesitant or fearful of making that contact but wishing and wanting a child were facilitated by the nursing staff who is both caring and professional. Establishing rapport and trust within the employee population is an need in health care. Genetic counseling and the subsequent decision to attempt another pregnancy (the previous child was born with multiple congenital anomalies) became a reality after many months of caring, concern, advice giving, and listening.

The occupational health setting is one of unlimited potential for creative programs. Employees present a receptive audience and usually welcome involvement by a health professional. Utilization of our Information and Referral center has never been systematically documented. I can tell, however, from the responses of our individual employees that they both need and appreciate the support that this ancillary service provides.

THE SYNERTEK NEEDS ASSESSMENT STUDY

Eleanor Clement Glass
Continuing Development Incorporated

The Personnel Department of Synertek, Inc., a semiconductor company in Sunnyvale, California, working with a consulting firm, Continuing Development, Inc., conducted an in-depth feasibility study to answer critical questions concerning whether or not there should be a child care benefit program for its employees.

The study was undertaken with two objectives in mind:

1. To ascertain the need and interest level of Synertek employees in a child care benefit; and
2. To highlight important elements to be included in a child care benefit package such as:
    a. Initial target populations to be served,
    b. type of child care services/delivery system that might be used, and
    c. realistic cost levels.

INSTRUMENT

A survey instrument was drafted and reviewed jointly by the staffs of the Synertek Personnel Department and Continuing Development, Inc. The instrument was sent out through the payroll system to all employees, with a request that all responses be returned to Continuing Development, Inc., to ensure all employees understood that the survey was not a promise of further action.

RESULTS

I. Survey population

Fourteen percent (14%) of the parent population responded; several non-parents also responded. This was viewed as an average response to surveys, especially considering the Christmas season.

A. A little less than 50% of the respondents were female.

B. A majority of the respondents (44%) were in the $200-$300 gross weekly income range. However, 16% of the respondents were earning over $500/week (gross).

C. Respondents were from all levels of jobs and positions. Twenty percent (20%) of the respondents were from the managerial level. As expected, a majority of the respondents were in technical/clerical classifications.

D. Ninety-one percent (91%) of the respondents were in the 20-35 year age range.

E. Ninety-three and two-tenths percent (93.2%) of the respondents were parents; 2/3 of the parents were from 2-parent and 1/3 from single-parent households. Of these parents, 76% had 1-2 children, and 87% had children below 9 years of age (30% with infants 0-2 years old, and 40% with pre-school children, 2-5 years old).

The Company management felt that the sample adequately matched the total Synertek parent population.

II. Highlights of the responses

A. "Is child care needed?"

Eighty-four percent (84%) of the responding parents said they needed child care to retain their jobs. Only 10% said that enrichment, education, or social benefit to the child were the primary reason for wanting child care.

B. "Are present child care arrangements satisfactory?"

Two-thirds (2/3) of the respondents were happy with their present situation, but 1/3 were dissatisfied. Almost 70% of these respondents had child care arrangements out of the home, and only half of them in licensed settings.

C. "Are the child care costs satisfactory?"

Responding to the 1978 cost of about $150 per month, 2/3 of the responding parents felt this was a financial burden. Note that, of these respondents, 86% of operators, 71% clerical, and 68% technical.

D. "What amount of money would be regarded as a significant lessening of the child care cost burden?"

Almost all of the respondents said that "Anything would help," but $45 per month, or less than 1/3 of their costs was considered significant.

E. "Would parents utilize a child care benefit?"

Sixty-five to eighty percent (65-80%) of the respondents said that they would utilize a child care benefit, if offered.

F. "Is child care benefit a consideration in recruitment?"

Forty percent (40%) of the respondents said that it was an "extremely important" consideration, and 2/3 of the employees felt that such a benefit would make a difference in their employment decision.

G. "Besides monetary benefit, what other forms of assistance can the company provide?"

The responses were, in order:

1. Help in finding good child care. In qualifying "good care,"

the top four considerations were:

    a. cost,
    b. type of children's activities,
    c. caregiver qualifications, and
    d. physical facility and environment.

2. Information evaluating different types of available child care.
3. Help in finding other family and community service agencies.
4. Counseling about the specific needs or behavior of my child.
5. Toy co-op for buying toys at wholesale prices.

H. "If the benefit package included the above services, would employees devote the personal time to receiving them?"

Ninety-five percent (95%) of respondents would attend workshops either during lunchtime or after work.

III. Recommendations

This needs assessment predicted that adoption of a child care benefit program could provide significant potential savings to Synertek in recruitment, hiring, and training costs associated with unacceptably high turnover in a tight labor market. A vendor payment system with a resource and referral component was recommended as a method for realizing the desired employee attitudinal change without the high risk of establishing an on-site child care facility.

Appendices

APPENDIX I

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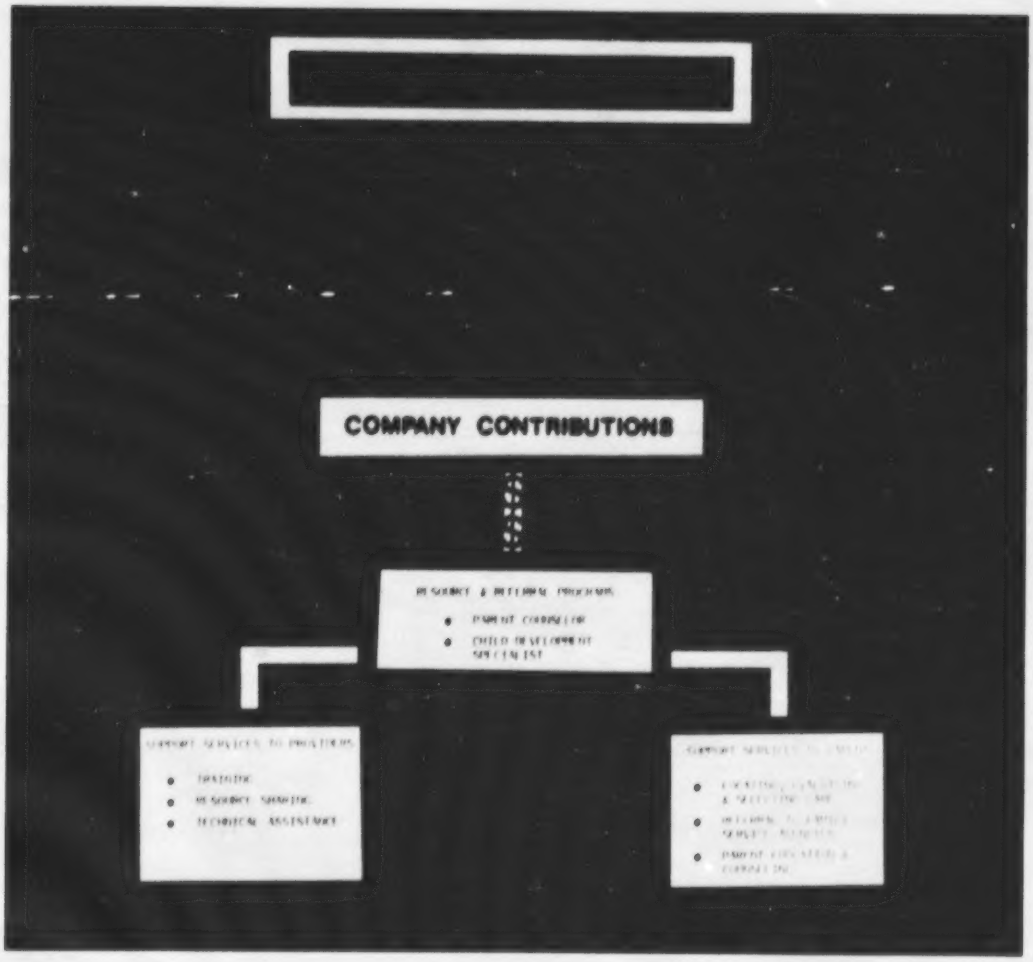
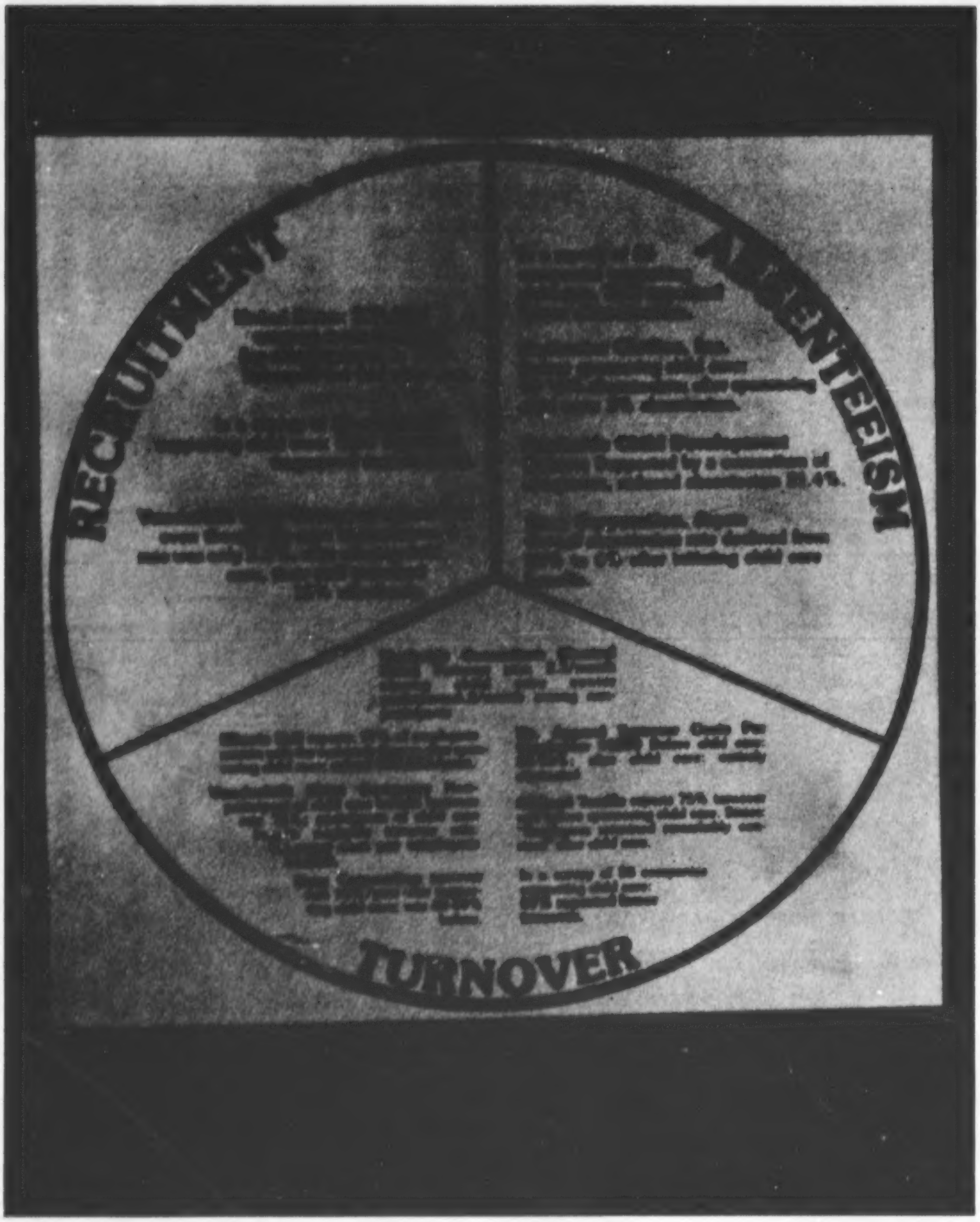
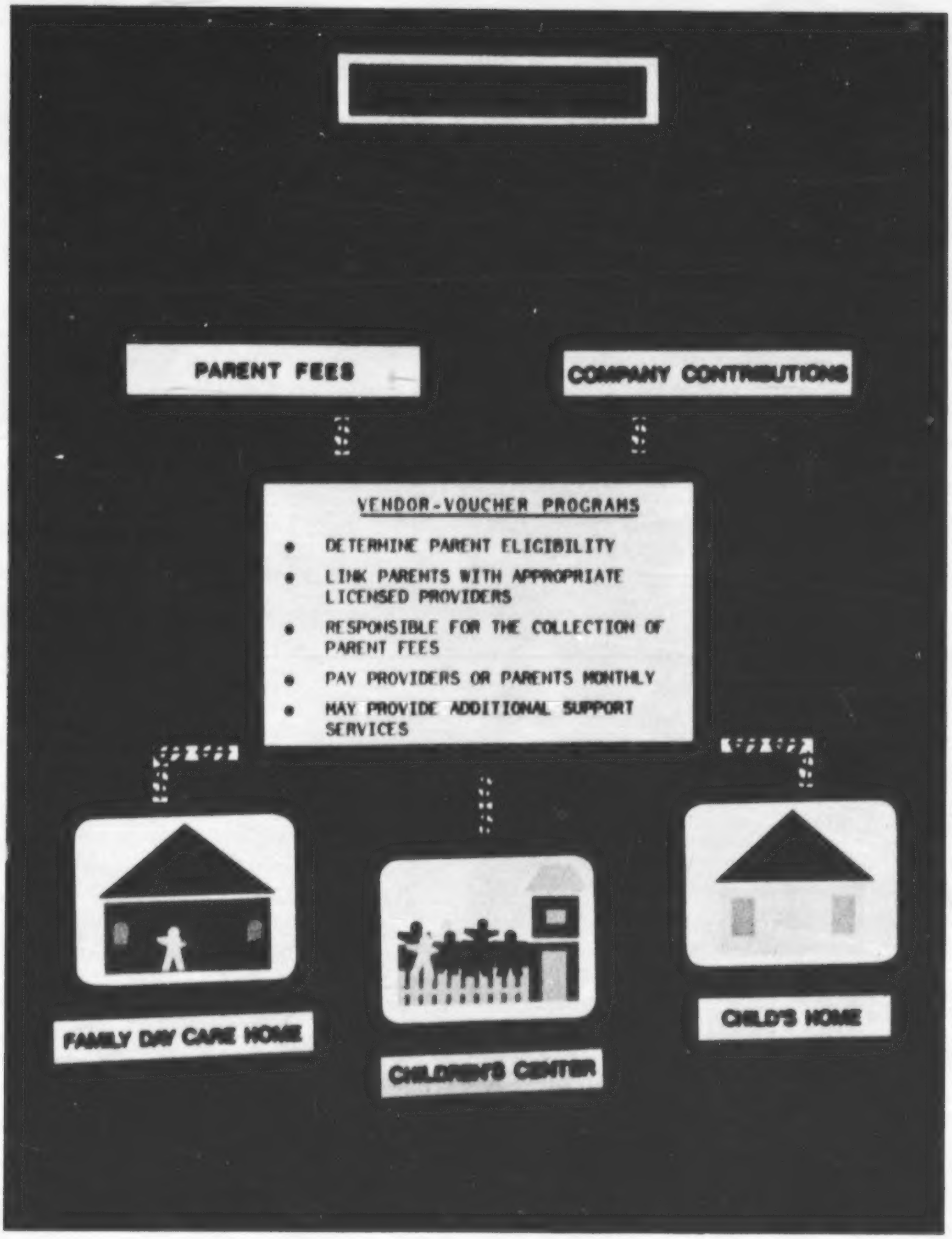
APPENDIX II

CONFERENCE DISPLAYS


COMPANY CONTRIBUTIONS
RESOURCE & REFERRAL PROGRAMS
PARENT COUNSELOR
CHILD DEVELOPMENT SPECIALIST
SUPPORT SERVICES TO PROVIDERS
TRAINING
RESOURCE SHARING
TECHNICAL ASSISTANCE


RECRUITMENT
ABSENTEEISM
TURNOVER



PARENT FEES

COMPANY CONTRIBUTIONS

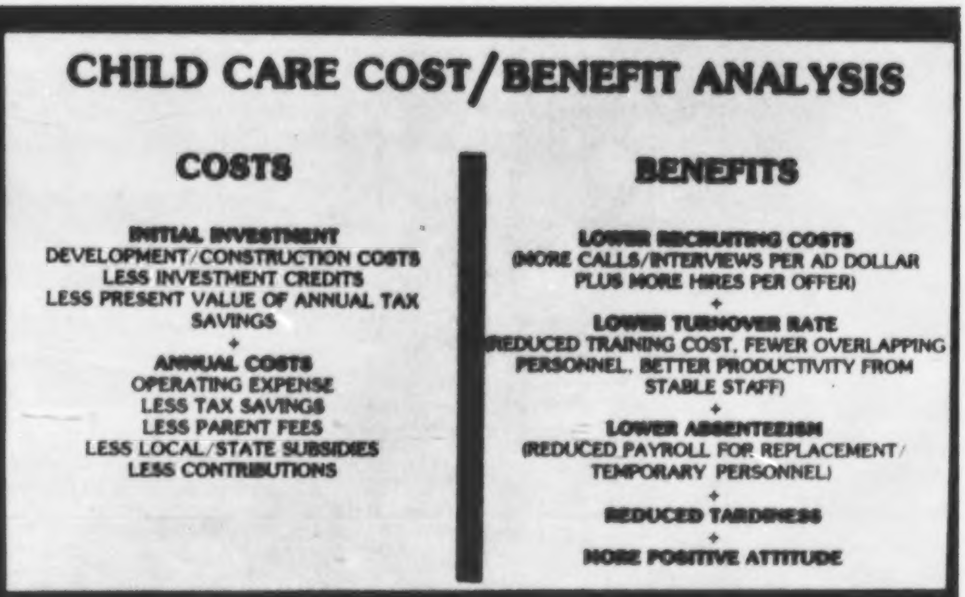
VENDOR-VOUCHER PROGRAMS

- DETERMINE PARENT ELIGIBILITY
- LINK PARENTS WITH APPROPRIATE LICENSED PROVIDERS
- RESPONSIBLE FOR THE COLLECTION OF PARENT FEES
- PAY PROVIDERS OR PARENTS MONTHLY
- MAY PROVIDE ADDITIONAL SUPPORT SERVICES

FAMILY DAY CARE HOME

CHILDREN'S CENTER

CHILD'S HOME



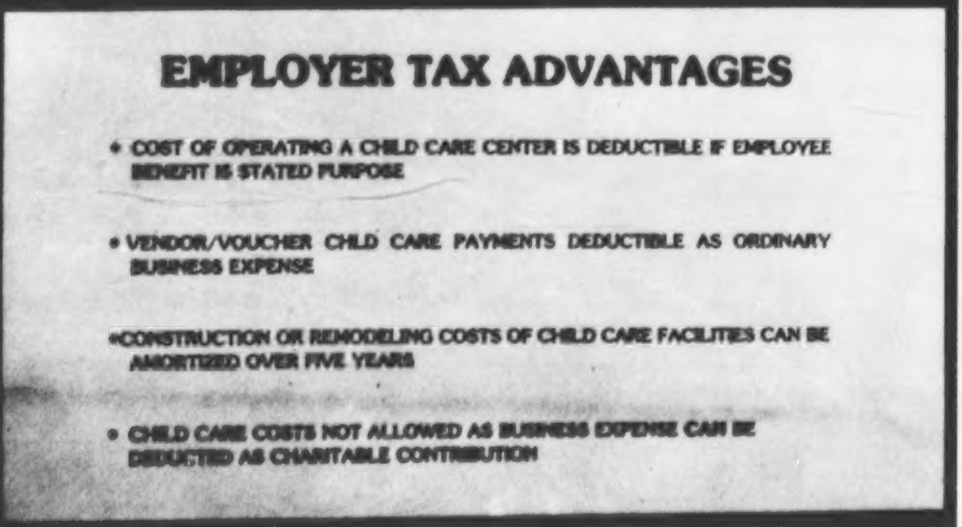
CHILD CARE COST/BENEFIT ANALYSIS

COSTS

INITIAL INVESTMENT
DEVELOPMENT/CONSTRUCTION COSTS
LESS INVESTMENT CREDITS
LESS PRESENT VALUE OF ANNUAL TAX SAVINGS
+
ANNUAL COSTS
OPERATING EXPENSE
LESS TAX SAVINGS
LESS PARENT FEES
LESS LOCAL/STATE SUBSIDIES
LESS CONTRIBUTIONS

BENEFITS

LOWER RECRUITING COSTS
(MORE CALLS/INTERVIEWS PER AD DOLLAR PLUS MORE HIRES PER OFFER)
+
LOWER TURNOVER RATE
(REDUCED TRAINING COST, FEWER OVERLAPPING PERSONNEL, BETTER PRODUCTIVITY FROM STABLE STAFF)
+
LOWER ABSENTEEISM
(REDUCED PAYROLL FOR REPLACEMENT/TEMPORARY PERSONNEL)
+
REDUCED TARDINESS
+
MORE POSITIVE ATTITUDE



EMPLOYER TAX ADVANTAGES

- COST OF OPERATING A CHILD CARE CENTER IS DEDUCTIBLE IF EMPLOYEE BENEFIT IS STATED PURPOSE
- VENDOR/VOUCHER CHILD CARE PAYMENTS DEDUCTIBLE AS ORDINARY BUSINESS EXPENSE
- CONSTRUCTION OR REMODELING COSTS OF CHILD CARE FACILITIES CAN BE AMORTIZED OVER FIVE YEARS
- CHILD CARE COSTS NOT ALLOWED AS BUSINESS EXPENSE CAN BE DEDUCTED AS CHARITABLE CONTRIBUTION

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